



Dave Yost • Auditor of State

**PERRY TOWNSHIP
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Perry Township
Stark County
3111 Hilton Street NW
Massillon, Ohio 44645

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Perry Township, Stark County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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' *Government 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 such 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position or cash flows 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 cash balances, receipts and disbursements by fund type, and related notes of the Perry Township, Stark County as of December 31, 2017 and 2016, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 14, 2018

Perry Township
Stark County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

| | General | Special Revenue | Debt Service | Totals (Memorandum Only) |
|---|--------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$57,743 | \$6,442,868 | \$452,969 | \$6,953,580 |
| Charges for Services | 0 | 34,645 | 0 | 34,645 |
| Licenses, Permits and Fees | 436,195 | 0 | 0 | 436,195 |
| Fines and Forfeitures | 9,915 | 7,192 | 0 | 17,107 |
| Intergovernmental | 263,033 | 1,252,127 | 0 | 1,515,160 |
| Special Assessments | 15,625 | 17,183 | 0 | 32,808 |
| Earnings on Investments | 34,739 | 1,814 | 0 | 36,553 |
| Miscellaneous | 161,012 | 298,907 | 0 | 459,919 |
| <i>Total Cash Receipts</i> | <u>978,262</u> | <u>8,054,736</u> | <u>452,969</u> | <u>9,485,967</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 773,327 | 0 | 0 | 773,327 |
| Public Safety | 8,577 | 6,187,187 | 0 | 6,195,764 |
| Public Works | 0 | 1,556,560 | 0 | 1,556,560 |
| Human Services | 880 | 0 | 0 | 880 |
| Conservation-Recreation | 179,775 | 0 | 0 | 179,775 |
| Other | 0 | 3,964 | 0 | 3,964 |
| Debt Service: | | | | |
| Principal Retirement | 166,691 | 0 | 479,561 | 646,252 |
| Interest and Fiscal Charges | 0 | 0 | 18,595 | 18,595 |
| <i>Total Cash Disbursements</i> | <u>1,129,250</u> | <u>7,747,711</u> | <u>498,156</u> | <u>9,375,117</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(150,988)</u> | <u>307,025</u> | <u>(45,187)</u> | <u>110,850</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 0 | 0 | 45,187 | 45,187 |
| Transfers Out | (45,187) | 0 | 0 | (45,187) |
| Advances In | 775,000 | 575,000 | 0 | 1,350,000 |
| Advances Out | (575,000) | (775,000) | 0 | (1,350,000) |
| Other Financing Sources | 22,000 | 0 | 0 | 22,000 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>176,813</u> | <u>(200,000)</u> | <u>45,187</u> | <u>22,000</u> |
| <i>Net Change in Fund Cash Balances</i> | 25,825 | 107,025 | 0 | 132,850 |
| <i>Fund Cash Balances, January 1</i> | <u>1,130,249</u> | <u>1,368,270</u> | <u>0</u> | <u>2,498,519</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 1,475,295 | 0 | 1,475,295 |
| Assigned | 917,325 | 0 | 0 | 917,325 |
| Unassigned (Deficit) | 238,749 | 0 | 0 | 238,749 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,156,074</u> | <u>\$1,475,295</u> | <u>\$0</u> | <u>\$2,631,369</u> |

See accompanying notes to the basic financial statements

Perry Township

Stark County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

Proprietary Fund Type

For the Year Ended December 31, 2017

| | Internal Service |
|---|---------------------|
| Operating Cash Receipts | |
| Charges for Services | \$56,114 |
| <i>Total Operating Cash Receipts</i> | <u>56,114</u> |
| Operating Cash Disbursements | |
| Claims | 51,250 |
| Contract Services | 6,128 |
| <i>Total Operating Cash Disbursements</i> | <u>57,378</u> |
| <i>Operating Income (Loss)</i> | <u>(1,264)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>3,888</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,624</u> |

See accompanying notes to the basic financial statements

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Perry Township, Stark County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection and emergency medical services.

Joint Ventures and Public Entity Risk Pool

The Township participates in joint ventures and a public entity risk pool. Notes 12 and 13 to the financial statements provide additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits and Investments

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Police District Fund – This fund receives property tax money and grant money for the purpose of funding the Township’s department.

Fire District Fund – This fund receives property tax money and money for emergency services for the purpose of funding the Township’s fire and emergency management departments.

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds

Police Note Retirement Fund – This fund receives property tax revenue to pay the police building note debt. This note was paid in full on November 28, 2017.

Road Note Retirement Fund – This fund receives property tax revenue to pay the Tax Anticipation Note which was issued by the Township during fiscal year 2015.

Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the Dental and Vision plans.

Budgetary Process

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

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Appropriations lapse at year-end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

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:

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

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.

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.

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.

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.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance classifications could be used.

Capital Assets

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

Accumulated Leave

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

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$925,267 | \$1,775,262 | \$849,995 |
| Special Revenue | 8,176,189 | 8,629,736 | 453,547 |
| Debt Service | 498,156 | 498,156 | 0 |
| Internal Service | 19,407 | 56,114 | 36,707 |
| Total | \$9,619,019 | \$10,959,268 | \$1,340,249 |

| 2017 Budgeted vs. Actual Disbursements | | | |
|--|----------------------------|----------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$2,099,668 | \$1,749,437 | \$350,231 |
| Special Revenue | 9,438,120 | 8,522,711 | 915,409 |
| Debt Service | 498,156 | 498,156 | 0 |
| Internal Service | 60,000 | 57,378 | 2,622 |
| Total | \$12,095,944 | \$10,827,682 | \$1,268,262 |

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

| | |
|-------------------------------------|---------------------------|
| Demand deposits | \$283,460 |
| Total deposits | <u>283,460</u> |
| Huntington ICS (Insured Cash Sweep) | 2,350,533 |
| Total investments | <u>2,350,533</u> |
| Total deposits and investments | <u><u>\$2,633,993</u></u> |

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS). At December 31, 2017, \$0 deposits were not insured or collateralized, contrary to Ohio law.

Investments:

During the period of January 2017 to February 2017, the Township held investments in Corporate Bonds in the Township's Key Bank money market account. The bonds were eligible investments as defined by Ohio Revised Code 135.14 and received a semiannual rate of BAA1 and BBB+ with both Moody's and Standards and Poor's rating system, respectively.

NOTE 5 - PROPERTY TAXES

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 payment is due the following June 20.

Public utilities are also taxed on personal and 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
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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 government.

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, 2017.

| | 2017 |
|--------------|---------------|
| Assets | \$ 40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | 31,335,267 |

At December 31, 2017, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$74,000.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - RISK MANAGEMENT (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges 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 the 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.

| |
|--|
| <u>2017 Contributions to OTARMA</u> \$168,986 |
|--|

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 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.

NOTE 7 - SELF-INSURANCE

The Township is self-insured for employee vision and dental coverage. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on estimated claims costs determined by the Township.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Fifty-six 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. OPERS members contributed 10% for non-law enforcement and 13% for law enforcement of their gross salaries and the Township contributed an amount equaling 14% for non-law enforcement and 18.10% for law enforcement of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2017.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Social Security

Township's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

NOTE 10 - DEBT

Debt outstanding at December 31, 2017 was as follows:

| | Principal | Interest Rate |
|----------------------------|-----------|---------------|
| Road Tax Anticipation Note | \$180,000 | 2.25% |

Amortization

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

| | Road Bond Note |
|----------------------------------|-------------------|
| Year ending December 31: 2018 | \$182,025 |

With respect to the Tax Anticipation note, which was issued during 2015, the Township irrevocably pledged the proceeds of 1.00 Mil Road Improvement Levy, as approved by electors on May 6, 2014, for repayment of the principal and interest of the issued noted. Please note the Police Building and the Park Note were both paid off in 2017. The Road Bond will be paid in full in 2018.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - JOINT VENTURES

Joint Economic Development Districts

The Township participates in the Perry Township – Village of Navarre Joint Economic Development District (the District) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township's administration. Accordingly, the joint venture has not been included in these financial statements.

The Township participates in the Perry Township – City of Canton Joint Economic Development District (the District) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township's administration. Accordingly, the joint venture has not been included in these financial statements. No activity as of date of this report.

Local Organized Governments in Cooperation

The Township participates in the Local Organized Governments in Cooperation (L.O.G.I.C.), a statutorily created political subdivision of the State formed in 1986 under Chapter 167 of the Ohio Revised Code to provide safety dispatching services. L.O.G.I.C. is a joint venture among the following entities: Perry Township, Jackson Township, Village of Beach City, Bethlehem Township, Village of Brewster, City of Canal Fulton, Village of Dalton, Village of Hills and Dales, Lawrence Township, Lexington Township, City of Massillon, Village of Navarre, Village of Waynesburg and the Village of Wilmot, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The board has total authority over the operation of L.O.G.I.C., including budgeting, appropriating, contracting, and designating management. Continued existence of L.O.G.I.C. is dependent on the Township's continued participation. L.O.G.I.C. does not provide specific financial benefits or impose specific financial burdens on the Township. During 2017, the Township made contributions of \$292,771, but does not have an equity interest in L.O.G.I.C. Financial statements of L.O.G.I.C. may be obtained from Local Organized Governments in Cooperation, 5735 Wales Avenue NW, Massillon, Ohio, 44646.

NOTE 13 - PUBLIC ENTITY RISK POOL

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. For more information on OTARMA, see Note 7.

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Perry Township

Stark County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

| | General | Special Revenue | Debt Service | Totals (Memorandum Only) |
|---|--------------------|--------------------|-----------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$53,437 | \$6,122,166 | \$459,743 | \$6,635,346 |
| Charges for Services | 0 | 195,344 | 0 | 195,344 |
| Licenses, Permits and Fees | 457,268 | 2,893 | 0 | 460,161 |
| Fines and Forfeitures | 9,327 | 3,898 | 0 | 13,225 |
| Intergovernmental | 267,377 | 1,300,020 | 0 | 1,567,397 |
| Special Assessments | 12,469 | 16,499 | 0 | 28,968 |
| Earnings on Investments | 1,713 | 639 | 0 | 2,352 |
| Miscellaneous | 67,899 | 135,895 | 0 | 203,794 |
| <i>Total Cash Receipts</i> | <u>869,490</u> | <u>7,777,354</u> | <u>459,743</u> | <u>9,106,587</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 638,040 | 0 | 0 | 638,040 |
| Public Safety | 8,504 | 5,491,553 | 0 | 5,500,057 |
| Public Works | 0 | 1,773,960 | 0 | 1,773,960 |
| Health | 330 | 0 | 0 | 330 |
| Conservation-Recreation | 133,590 | 0 | 0 | 133,590 |
| Capital Outlay | 0 | 6,085 | 0 | 6,085 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 469,392 | 469,392 |
| Interest and Fiscal Charges | 0 | 0 | 37,418 | 37,418 |
| <i>Total Cash Disbursements</i> | <u>780,464</u> | <u>7,271,598</u> | <u>506,810</u> | <u>8,558,872</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>89,026</u> | <u>505,756</u> | <u>(47,067)</u> | <u>547,715</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | 0 | 0 | 47,067 | 47,067 |
| Transfers Out | (47,067) | 0 | 0 | (47,067) |
| Advances In | 230,000 | 200,000 | 0 | 430,000 |
| Advances Out | (200,000) | (230,000) | 0 | (430,000) |
| Other Financing Sources | 6,478 | 0 | 0 | 6,478 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(10,589)</u> | <u>(30,000)</u> | <u>47,067</u> | <u>6,478</u> |
| <i>Net Change in Fund Cash Balances</i> | 78,437 | 475,756 | 0 | 554,193 |
| <i>Fund Cash Balances, January 1</i> | <u>1,051,812</u> | <u>892,514</u> | <u>0</u> | <u>1,944,326</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 1,368,270 | 0 | 1,368,270 |
| Assigned | 1,130,249 | 0 | 0 | 1,130,249 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,130,249</u> | <u>\$1,368,270</u> | <u>\$0</u> | <u>\$2,498,519</u> |

See accompanying notes to the basic financial statements

Perry Township

Stark County, Ohio

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

Proprietary Fund Type

For the Year Ended December 31, 2016

| | <u>Internal Service</u> |
|---|-----------------------------|
| Operating Cash Receipts | |
| Charges for Services | <u>\$55,997</u> |
| <i>Total Operating Cash Receipts</i> | <u>55,997</u> |
| Operating Cash Disbursements | |
| Claims | 50,241 |
| Contract Services | <u>5,756</u> |
| <i>Total Operating Cash Disbursements</i> | <u>55,997</u> |
| <i>Operating Income (Loss)</i> | <u>0</u> |
| <i>Fund Cash Balances, January 1</i> | <u>3,888</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$3,888</u></u> |

See accompanying notes to the basic financial statements

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Perry Township, Stark County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, police protection and emergency medical services.

Joint Ventures and Public Entity Risk Pool

The Township participates in joint ventures and a public entity risk pool. Notes 13 and 14 to the financial statements provide additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for proprietary fund type which are organized on a fund type basis.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Deposits and Investments

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Police District Fund – This fund receives property tax money and grant money for the purpose of funding the Township’s police department.

Fire District Fund – This fund receives property tax money and money for emergency services for the purpose of funding the Township’s fire and emergency management departments.

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

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Police Note Retirement Fund – This fund receives property tax revenue to pay the police building note debt.

Road Note Retirement Fund – This fund receives property tax revenue to pay the Tax Anticipation Note which was issued by the Township during fiscal year 2015.

Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Township had the following Internal Service Fund:

Self-funded Insurance Medical Fund – This fund receives insurance premium payments from other funds to pay medical claims of employees enrolled in the Dental and Vision plans.

Budgetary Process

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

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Appropriations lapse at year-end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

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:

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

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.

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.

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.

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.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance classifications could be used.

Capital Assets

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

Accumulated Leave

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

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the year ending 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$970,175 | \$1,105,968 | \$135,793 |
| Special Revenue | 8,267,424 | 7,977,354 | (290,070) |
| Debt Service | 506,810 | 506,810 | 0 |
| Internal Service | 839,665 | 55,997 | (783,668) |
| Total | \$10,584,074 | \$9,646,129 | (\$937,945) |

| 2016 Budgeted vs. Actual Disbursements | | | |
|--|----------------------------|----------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$2,028,756 | \$1,027,531 | \$1,001,225 |
| Special Revenue | 9,155,870 | 7,501,598 | 1,654,272 |
| Debt Service | 506,810 | 506,810 | 0 |
| Internal Service | 847,811 | 55,997 | 791,814 |
| Total | \$12,539,247 | \$9,091,936 | \$3,447,311 |

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS

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

| | |
|--------------------------------|---------------------------|
| Demand deposits | \$1,597,311 |
| Total deposits | <u>1,597,311</u> |
| | |
| Corporate Bonds | <u>905,094</u> |
| Total investments | <u>905,094</u> |
| | |
| Total deposits and investments | <u><u>\$2,502,405</u></u> |

Deposits:

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. At December 31, 2016, \$0 deposits were not insured or collateralized, contrary to Ohio law.

Investments:

The Township holds investments in Corporate Bonds in the Township's Key Bank money market account. The bonds are eligible investments as defined by Ohio Revised Code 135.14 and received a semiannual rate of BAA1 and BBB+ with Moody's and Standards and Poor's rating system respectively.

NOTE 5 - PROPERTY TAXES

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 payment is due the following June 20.

Public utilities are also taxed on personal and 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.

NOTE 6 - INTERFUND BALANCES

Outstanding advances at December 31, 2016, consisted of \$200,000 advanced from the General Fund to the Special Revenue Police District Fund to provide working capital for the Township's police department.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 7 - 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 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 government.

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, 2016.

| | 2016 |
|--------------|---------------|
| Assets | \$ 38,473,283 |
| Liabilities | 8,244,140 |
| Net Position | 30,229,143 |

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$75,000.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 7 - RISK MANAGEMENT (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges 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 the 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.

| |
|-------------------------------------|
| <u>2016 Contributions to OTARMA</u> |
| \$167,026 |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 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.

NOTE 8 - SELF-INSURANCE

The Township is also self-insured for employee vision and dental coverage. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on estimated claims costs determined by the Township. A comparison of Self Insurance Fund cash and investments to the actuarially measured liability as of December 31 follows:

| | |
|-----------------------|----------|
| | 2016 |
| Cash and Investments | \$ 3,888 |
| Actuarial Liabilities | 6,500 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Sixty-three 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. OPERS members contributed 10% for non-law enforcement and 13% for law enforcement of their gross salaries and the Township contributed an amount equaling 14% for non-law enforcement and 18.10% for law enforcement of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

Social Security

Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

NOTE 10 – POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

NOTE 11 - DEBT

Debt outstanding at December 31, 2016 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|----------------------------|-------------------------|----------------------|
| Police Building Note | \$80,000 | 4.74% |
| Park Improvement Note | 206,250 | 5.47% |
| Road Tax Anticipation Note | 540,000 | 2.25% |
| Total | <u><u>\$826,250</u></u> | |

Amortization

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

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 11 – DEBT (Continued)

| | Police Bldg. Note | Park Improvement Note | Road Tax Anticipation Note |
|--------------------------|----------------------|-----------------------------|----------------------------------|
| Year ending December 31: | | | |
| 2017 | | \$45,187 | \$370,125 |
| 2018 | \$82,844 | 43,306 | 182,025 |
| 2019 | | 41,426 | |
| 2020 | | 39,546 | |
| 2021 | | 37,666 | |
| 2022-2026 | | 35,785 | |
| Total | \$82,844 | \$242,916 | \$552,150 |

With respect to the Tax Anticipation note, which was issued during 2015, the Township irrevocably pledged the proceeds of 1.00 Mil Road Improvement Levy, as approved by electors on May 6, 2014, for repayment of the principal and interest of the issued noted. Please note the Police Building will be paid off in 2017. The Board of Trustees also decided to pay off the Park Note in 2017.

NOTE 12 - CONTINGENT LIABILITIES

The Township is currently not party to any claim or lawsuits.

NOTE 13 - JOINT VENTURES

Joint Economic Development Districts

The Township participates in the Perry Township – Village of Navarre Joint Economic Development District (the District) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township’s administration. Accordingly, the joint venture has not been included in these financial statements.

The Township participates in the Perry Township - City of Canton Joint Economic Development District (the District) which is a statutorily created political subdivision of the State. The purpose of the District is to facilitate economic development and to preserve jobs and employment opportunities. This joint venture is considered a separate reporting entity by the Township’s administration. Accordingly, the joint venture has not been included in these financial statements. No activity as of date of this report.

Perry Township
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - JOINT VENTURES (Continued)

Local Organized Governments in Cooperation

The Township participates in the Local Organized Governments in Cooperation (L.O.G.I.C.), a statutorily created political subdivision of the State formed in 1986 under Chapter 167 of the Ohio Revised Code to provide safety dispatching services. L.O.G.I.C. is a joint venture among the following entities: Perry Township, Jackson Township, Village of Beach City, Bethlehem Township, Village of Brewster, City of Canal Fulton, Village of Dalton, Village of Hills and Dales, Lawrence Township, Lexington Township, City of Massillon, Village of Navarre, Village of Waynesburg and the Village of Wilmot, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The board has total authority over the operation of L.O.G.I.C., including budgeting, appropriating, contracting, and designating management. Continued existence of L.O.G.I.C. is dependent on the Township's continued participation. L.O.G.I.C. does not provide specific financial benefits or impose specific financial burdens on the Township. During 2016, the Township made contributions of \$292,771, but does not have an equity interest in L.O.G.I.C. Financial statements of L.O.G.I.C. may be obtained from Local Organized Governments in Cooperation, 5735 Wales Avenue NW, Massillon, Ohio, 44646.

NOTE 14 - PUBLIC ENTITY RISK POOL

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool. For more information on OTARMA, see Note 7.



Dave Yost • Auditor of State

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

Perry Township
Stark County
3111 Hilton Street NW
Massillon, Ohio 44645

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 the cash balances, receipts, and disbursements by fund type of the Perry Township, Stark County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 14, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 audit 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 14, 2018

PERRY TOWNSHIP
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

Emergency Medical Service Billing Service Organizational Controls

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-001 |
|-----------------------|----------|

MATERIAL WEAKNESS

The Township outsourced the emergency medical services (EMS) by entering into a contract with C & C Medical Billing, a third-party emergency medical billing service organization, to bill for services related to EMS provided by the Township. C & C Medical Billing did not obtain a service organization report for the current audit period. C & C Medical Billing invoices the Township monthly for the EMS billing services related to the EMS runs provided by the Township. The Township Fire Department signed off on the invoices indicating approval for payment. Significant variances were noted between the number of invoices billed to the Township by C & C Medical Billing and the number of runs processed throughout 2016-2017.

Attestation standard (AT-C 320) *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description, and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Township with reasonable assurance that EMS billing transactions conform to the contract.

In addition, although the Township Fire Department signed the C & C Medical Billing invoices indicating approval for payment, the significant variance in the number of invoices billed for EMS runs and the actual number of EMS runs processed evidences the invoices were not properly reviewed for accuracy. Proper review of EMS billing invoices is critical in ensuring the invoices are correct and accurate.

The Township should require a Type 2 report in its contract with the third-party administrator. The Township should review the Type 2 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective State. If the third-party administrator refuses to furnish the Township with a Type 2 report, the Township should contract with a third-party administrator that will provide this report.

The Township Fire Department should, at least, obtain supporting documentation of EMS runs processed from the Township's EMS billing services provider and review the EMS billing invoices for accuracy to help ensure the Township pays the proper amount for EMS billing services provided.

Official's Response: We have contracted with Life Force Management as of November 21, 2017.

Financial Statement Preparation Internal Controls-SOF

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-002 |
|-----------------------|----------|

MATERIAL WEAKNESS

In our audit engagement letter, as required by **AU-C Section 210**, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following exceptions were noted resulting in adjustments to the financial statements to reflect the proper reporting indicating a deficiency in the design, implementation and maintenance of internal control relevant to preparing and fairly presenting financial statements.

Presentation of General Fund and Special Revenue Fund Advances

Although properly recorded within the Township’s financial accounting system, during the compilation of the 2017 Annual Financial Report as submitted to the Auditor of State, advances which were issued and subsequently repaid during the 2017 accounting period were not included on the 2017 Annual Financial Report. Therefore, General Fund and Special Revenue Fund Advances In and Advances Out were understated by \$575,000.

Presentation of General Fund Fund-Balance Classifications

For 2017 and 2016, the General Fund Assigned-Fund Balance did not properly report the year’s budget at year-end. Since the 2018 appropriations (\$1,639,863) exceeded the estimated receipts (\$722,538) by \$917,325 and the 2017 appropriations (\$2,099,668) exceeded the estimated receipts (\$925,267) by \$1,174,401 these amounts should have been reported as Assigned-Fund Balance and the Unassigned-Fund Balance should have been decreased in accordance with the provisions of *Governmental Accounting Standards Board Statement No. 54*. [For additional information refer to Auditor of State Bulletin 2011-004.]

Recording of Self Insurance Fund Receipts and Disbursements

Although, in 2017 the Township properly recorded the self-insurance dental and vision benefits activity within the Self Insurance Fund, the Township improperly recorded, and subsequently reported the receipts as Other Non-Operating Revenue instead of Charges for Services Operating Cash Receipts. As a result, the Non-Operating Revenue was overstated and the Charges for Services Operating Cash Receipts were understated by \$19,407, respectively. As the purpose and primary activity of the Internal Service fund is to account for the self-insurance fund activity, the cash receipts should be reported as an Operating Cash Receipts. In addition, the self-insurance claims disbursements were recorded, and subsequently reported, as Contract Services as opposed to Claims Expenses. As a result, the Contract Services were overstated and the Claims Expenses were understated by \$51,250, respectively. Finally, the Self-Insurance Receipts and Disbursements were improperly reported as a Special Assessment Governmental Fund Type as opposed to an Internal Service Proprietary Fund Type due to the Township’s accounting system roll-up of funds.

Recording of General Fund and Special Revenue Fund Property Taxes

During 2017 and 2016, the Township improperly classified Property Taxes as Intergovernmental Cash Receipts. As a result, the Intergovernmental Cash Receipts were overstated and the Property Taxes Cash Receipts were understated from a range from \$26 to \$2,964,392 in 2017 and from \$37 to \$2,831,784 in 2016 within the following funds: General, Special Revenue Road and Bridge, Special Revenue Special Assessment Lighting, Special Revenue Police District, Special Revenue Fire District, and Special Revenue Road District.

Financial Statement Footnote Disclosures

As the footnote disclosures are an integral part of the financial statements, complete and accurate footnote disclosure is imperative to the readers of the financial statements. The 2017 and 2016 footnote disclosure comprised of various errors and omissions. As an example, the Budgetary Activity note did not disclose the disbursement budgetary activity and the Deposits and Investments notes reflected the bank statement balances as opposed to the carrying amount at year end resulting in the year-end balance not agreeing with the financial statements fund balance report on the financial statements. In addition, the Self-Insurance note and the Risk Management note were missing important required information, and the interfund balance note was omitted and the Debt note did not have the complete amortization schedule.

The accompanying financial statements and footnote disclosures were corrected to reflect the aforementioned activity.

To help ensure the financial statements are presented properly, the Township should review the design, implementation and maintenance of internal controls relevant to preparing and fairly presenting financial statements and updated and/or clarify the procedures and expected practices and develop appropriate procedures to help ensure proper reporting and compliance. The Township should develop procedures to help ensure all receipts and disbursements activities are properly recorded in the Township's accounting system and subsequently on the annual Financial Statements. The Township should prepare Hinkle System filed annual financial statements using the Auditor of State Regulatory Cash Basis Financial Statements, which includes notes, worksheets and instructions in both Word and Portable Document Format (PDF) (<https://ohioauditor.gov/references/shells/regulatory.html>) and not rely on the Township accounting system, and, using the Ohio Township Handbook (refer to <https://ohioauditor.gov/publications/TownshipHandbook%203-12-18.pdf>), work with the Township's accounting system software provider to determine more accurate classifications and more appropriately "map/roll-up" for the annual Financial Statements presentation.

Official's Response: Corrective action has been taken to help eliminate any further discrepancies.

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Dave Yost • Auditor of State

PERRY TOWNSHIP

STARK 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
DECEMBER 13, 2018**