



OHIO AUDITOR OF STATE
KEITH FABER



**PERRY TOWNSHIP
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2018	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2018	4
Notes to the 2018 Financial Statements	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Governmental Fund Types - For the Year Ended December 31, 2017	13
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2017	14
Notes to the 2017 Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings.....	25

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Perry Township
Lake County
3740 Center Road
P.O. Box 65
Perry, Ohio 44081

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 Perry Township, Lake County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Perry Township, Lake County, as of December 31, 2018 and 2017, 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 August 9, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 9, 2019

**PERRY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$454,691	\$1,904,400	\$0	\$2,359,091
Charges for Services		98,501		98,501
Licenses, Permits and Fees	188,209			188,209
Fines and Forfeitures	10			10
Intergovernmental	210,968	274,371		485,339
Special Assessments		34,468		34,468
Earnings on Investments	19,141	2,681		21,822
Gifts		3,900		3,900
Miscellaneous	72,963	7,179		80,142
<i>Total Cash Receipts</i>	<u>945,982</u>	<u>2,325,500</u>	<u>0</u>	<u>3,271,482</u>
Cash Disbursements				
Current:				
General Government	869,442	36,176		905,618
Public Safety		9,433		9,433
Public Works	12,585	588,318		600,903
Health	130,384	11,264		141,648
Conservation - Recreation	190,153	38,933		229,086
Miscellaneous	1,288	6,087		7,375
Contract Services		1,682,549		1,682,549
Supplies and Materials		3,256		3,256
Capital Outlay	55	34,108	29,139	63,302
Debt Service:				
Principal Retirement	43,804		19,824	63,628
Interest and Fiscal Charges	8,168		6,710	14,878
<i>Total Cash Disbursements</i>	<u>1,255,879</u>	<u>2,410,124</u>	<u>55,673</u>	<u>3,721,676</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(309,897)</u>	<u>(84,624)</u>	<u>(55,673)</u>	<u>(450,194)</u>
Other Financing Receipts (Disbursements)				
Transfers In		50,000	57,010	107,010
Transfers Out	(107,010)			(107,010)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(107,010)</u>	<u>50,000</u>	<u>57,010</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(416,907)	(34,624)	1,337	(450,194)
<i>Fund Cash Balances, January 1</i>	<u>1,054,889</u>	<u>301,540</u>	<u>3,503</u>	<u>1,359,932</u>
Fund Cash Balances, December 31				
Restricted		266,916	4,840	271,756
Assigned	345,082			345,082
Unassigned (Deficit)	292,900			292,900
<i>Fund Cash Balances, December 31</i>	<u>\$637,982</u>	<u>\$266,916</u>	<u>\$4,840</u>	<u>\$909,738</u>

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

PERRY TOWNSHIP
LAKE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$364
Gifts	280
<i>Total Operating Cash Receipts</i>	<u>644</u>
Operating Cash Disbursements	
Miscellaneous	290
<i>Total Operating Cash Disbursements</i>	<u>290</u>
<i>Operating Income (Loss)</i>	<u>354</u>
<i>Fund Cash Balances, January 1</i>	<u>18,972</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$19,326</u></u>

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

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Perry Township, Lake County, (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.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in a public entity risk pool and jointly governed organizations. Notes 6 and 10 to the financial statements provides 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 statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for its fiduciary fund type which are organized on a fund type basis.

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:

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:

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

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.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Permanent Improvement Fund - The Township receives intergovernmental funding for the acquisition or construction of capital assets.

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township had the following private purpose trust funds:

Cemetery Bequest Fund - This fund receives interest earned from trust agreements. These earnings are used for the upkeep of the lots specified in the trust agreements.

Veteran's Memorial Fund - This fund receives donations to upkeep the memorial located in the Township.

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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund-personal services level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable - 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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$893,771	\$945,982	\$52,211
Special Revenue	2,827,793	2,375,500	(452,293)
Capital Projects	65,050	57,010	(8,040)
Private Purpose Trust	575	644	69
Total	\$3,787,189	\$3,379,136	(\$408,053)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,460,816	\$1,362,889	\$97,927
Special Revenue	2,452,018	2,410,124	41,894
Capital Projects	65,034	55,673	9,361
Private Purpose Trust	1,050	290	760
Total	\$3,978,918	\$3,828,976	\$149,942

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:

	2018
Demand deposits	\$6,545
Certificates of deposit	210,000
Other time deposits (savings and NOW accounts)	112,969
Total deposits	329,514
STAR Ohio	599,550
Total investments	599,550
Total deposits and investments	\$929,064

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, all deposits were collateralized.

Investments

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

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

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 – Risk Management

Risk Pool Membership

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 Workers' 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 net position at December 31, 2017 (the latest information available):

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

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

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.

2018 Contributions to OTARMA

\$22,265

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 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	Principal	Interest Rate
State Infrastructure Bank (SIB) Bond	\$194,529	3.00%
Camino Property Acquisition Bond	\$205,000	2.14%
Ford Motor Company Lease/Purchase	\$32,803	5.45%
Total	\$432,332	

In 2017 the Township entered into a lease/purchase agreement with Ford Motor Company for the lease/purchase of a dump truck. The Township can purchase the truck for \$1 at the end of the lease.

In 2016 the Township received a State Infrastructure Bank (SIB) bond to pave Township roads.

In 2016 the Township refinanced the Camino Property Bonds which stated they must be used for the purpose of acquiring property and the construction of roads.

Leases

The Township leases a dump truck under noncancelable leases. The Township disbursed \$12,147 to pay lease costs for the year ended December 31, 2018. The lease is included in the debt table above.

Amortization

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

Year Ending December 31:	SIB Bond	Camino Property Acquisition Bond	Lease
2019	\$51,972	\$209,387	\$12,147
2020	51,972		12,147
2021	51,972		12,147
2022	51,972		
Total	\$207,888	\$209,387	\$36,441

Note 10 – Jointly Governed Organizations

Perry Joint Economic Development District

The Perry Joint Economic Development District was incorporated on August 25, 2000, under the authority of the Ohio Revised Code Section 715.72 through 715.83. The District was comprised of Perry Township and the Village of Perry. On September 12, 2002, the North Perry Village became a member of the District. The District operates under an appointed five-member Board of Directors established in accordance with Ohio Revised Code Section 715.78(A). The District was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area. Financial information can be obtained by contacting George Malec, Fiscal Officer, 3740 Center Road, Perry, Ohio 44081.

Perry Joint Fire District

The Perry Joint Fire District was created on September 27, 2002, by a joint resolution passed by Perry Township, Village of Perry and North Perry Village. This District is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District of

Perry Township
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2018

which one member is required to be an elected official from each entity. The District provides fire protection and rescue services within the District. Financial information can be obtained by contacting Joanne Clapp, Fiscal Officer, 3742 Center Road, Perry, OH 44081.

Northeast Ohio Public Energy Council (NOPEC)

The Township is a member of the Northeast Ohio Public Energy Council (“NOPEC”), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens. The intent of NOPEC is provide electricity and/or natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and/or natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by a participating government is limited to its representation in the General Assembly and on the Board of Director. The Township did not contribute to NOPEC in 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Solon, Ohio 44139.

Perry Area Recreation Board

The Township participates on the Perry Area Recreation Board along with North Perry Village, Perry Village and Perry Local Schools to provide recreational opportunities for their citizens. A five-member Board of Trustees directs the Recreation Board, two members are appointed by the School District, and one from each of the other remaining entities. Financial information can be obtained by contacting Michele Woltman, Fiscal Officer, 3740 Center Road, PO Box 491, Perry, Ohio 44081.

**PERRY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$522,334	\$2,149,181		\$2,671,515
Charges for Services		77,592		77,592
Licenses, Permits and Fees	147,186			147,186
Intergovernmental	251,916	278,476	\$20,695	551,087
Special Assessments		33,735		33,735
Earnings on Investments	11,136	859		11,995
Gifts		3,700		3,700
Miscellaneous	69,857	6,392		76,249
<i>Total Cash Receipts</i>	<u>1,002,429</u>	<u>2,549,935</u>	<u>20,695</u>	<u>3,573,059</u>
Cash Disbursements				
Current:				
General Government	880,923	33,192		914,115
Public Safety		11,266		11,266
Public Works	14,118	532,512		546,630
Health	133,452	12,024		145,476
Conservation - Recreation	191,097	34,367		225,464
Miscellaneous	1,373	7,286		8,659
Contract Services		1,918,775		1,918,775
Supplies and Materials		3,383		3,383
Capital Outlay	108	32,902	17,530	50,540
Debt Service:				0
Principal Retirement			51,956	51,956
Interest and Fiscal Charges			5,629	5,629
<i>Total Cash Disbursements</i>	<u>1,221,071</u>	<u>2,585,707</u>	<u>75,115</u>	<u>3,881,893</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(218,642)</u>	<u>(35,772)</u>	<u>(54,420)</u>	<u>(308,834)</u>
Other Financing Receipts (Disbursements)				
Transfers In			50,000	50,000
Transfers Out	(50,000)			(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,000)</u>	<u>0</u>	<u>50,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(268,642)</u>	<u>(35,772)</u>	<u>(4,420)</u>	<u>(308,834)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,323,531</u>	<u>337,312</u>	<u>7,923</u>	<u>1,668,766</u>
Fund Cash Balances, December 31				
Restricted		301,540	3,503	305,043
Assigned	567,045			567,045
Unassigned (Deficit)	487,844			487,844
<i>Fund Cash Balances, December 31</i>	<u>\$1,054,889</u>	<u>\$301,540</u>	<u>\$3,503</u>	<u>\$1,359,932</u>

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

PERRY TOWNSHIP
LAKE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$72
Gifts	460
<i>Total Operating Cash Receipts</i>	<u>532</u>
Operating Cash Disbursements	
Health	20
Miscellaneous	5,200
<i>Total Operating Cash Disbursements</i>	<u>5,220</u>
<i>Operating Income (Loss)</i>	<u>(4,688)</u>
<i>Fund Cash Balances, January 1</i>	<u>23,660</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$18,972</u></u>

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

Perry Township
Lake 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 Perry Township, Lake County, (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.

Jointly Governed Organizations and Public Entity Risk Pool

The Township participates in jointly governed organizations and a public entity risk pool. Notes 7 and 8 to the financial statements provides 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 statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for its fiduciary fund type which are organized on a fund type basis.

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:

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:

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

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

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Permanent Improvement Fund - The Township receives intergovernmental funding for the acquisition or construction of capital assets.

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

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township had the following private purpose trust funds:

Cemetery Bequest Fund - This fund receives interest earned from trust agreements. These earnings are used for the upkeep of the lots specified in the trust agreements.

Veteran's Memorial Fund - This fund receives donations to upkeep the memorial located in the Township.

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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund-personal services level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

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 employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

Nonspendable - 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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,187,439	\$1,002,429	(\$185,010)
Special Revenue	2,537,079	2,549,935	12,856
Capital Projects	70,000	70,695	695
Private Purpose Trust	550	532	(18)
Total	\$3,795,068	\$3,623,591	(\$171,477)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,303,723	\$1,271,071	\$32,652
Special Revenue	2,638,578	2,585,707	52,871
Capital Projects	75,115	75,115	0
Private Purpose Trust	7,050	5,220	1,830
Total	\$4,024,466	\$3,937,113	\$87,353

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:

	2017
Demand deposits	\$4,498
Certificates of deposit	515,462
Other time deposits (savings and NOW accounts)	858,944
Total deposits	1,378,904

Deposits

Deposits were insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2017, all deposits were either insured through FDIC or were collateralized through OPCS.

Investments

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees

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

adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 – Risk Management

Risk Pool Membership

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 Workers' 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 net position at December 31, 2017.

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

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

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 \$10,000.

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.

2017 Contributions to OTARMA \$21,603

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 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS 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 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

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

	Principal	Interest Rate
State Infrastructure Bank (SIB) Bond	\$238,334	3.00%
Camino Property Acquisition Bond	\$205,000	2.14%
Ford Motor Company Lease/Purchase	\$42,626	5.45%
Flanigan/Circle Drive Property Loan	\$10,000	0.00%
Total	\$495,960	

In 2017 the Township entered into a lease/purchase agreement with Ford Motor Company for the lease/purchase of a dump truck.

In 2016 the Township received a State Infrastructure Bank (SIB) bond to pave Township roads.

In 2016 the Township refinanced the Camino Property Bonds which stated they must be used for the purpose of acquiring property and the construction of roads.

In 2014 the Township entered into an agreement to purchase property located at Circle Drive in the Township.

Leases

The Township leases a dump truck under noncancelable leases. The Township disbursed \$12,147 to pay lease costs for the year ended December 31, 2017. The lease is included in the debt table above.

Amortization

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

Year Ending December 31:	SIB Bond	Camino Property Acquisition Bond	Lease	Property Loan
2018	\$51,972	\$4,387	\$12,147	\$10,000
2019	\$51,972	\$209,387	\$12,147	
2020	\$51,972		\$12,147	
2021	\$51,972		\$12,147	
2022	\$51,972			
Total	\$259,860	\$213,774	\$48,588	\$10,000

Note 10 – Jointly Governed Organizations

Perry Joint Economic Development District

The Perry Joint Economic Development District was incorporated on August 25, 2000, under the authority of the Ohio Revised Code Section 715.72 through 715.83. The District was comprised of Perry Township and the Village of Perry. On September 12, 2002, the North Perry Village became a member of the District. The District operates under an appointed five-member Board of Directors established in accordance with Ohio Revised Code Section 715.78(A). The District was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area. Financial information can be obtained by contacting George Malec, Fiscal Officer, 3740 Center Road, Perry, Ohio 44081.

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

Perry Joint Fire District

The Perry Joint Fire District was created on September 27, 2002, by a joint resolution passed by Perry Township, Village of Perry and North Perry Village. This 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 District provides fire protection and rescue services within the District. Financial information can be obtained by contacting Joanne Clapp, Fiscal Officer, 3742 Center Road, Perry, OH 44081.

Northeast Ohio Public Energy Council (NOPEC)

The Township is a member of the Northeast Ohio Public Energy Council (“NOPEC”), a jointly governed organization. NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens. The intent of NOPEC is provide electricity and/or natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and/or natural gas to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each County then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors oversees and manages the operation of the aggregation program. The degree of control exercised by a participating government is limited to its representation in the General Assembly and on the Board of Director. The Township did not contribute to NOPEC in 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Solon, Ohio 44139.

Perry Area Recreation Board

The Township participates on the Perry Area Recreation Board along with North Perry Village, Perry Village and Perry Local Schools to provide recreational opportunities for their citizens. A five-member Board of Trustees directs the Recreation Board, two members are appointed by the School District, and one from each of the other remaining entities. Financial information can be obtained by contacting Michele Woltman, Fiscal Officer, 3740 Center Road, PO Box 491, Perry, Ohio 44081.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Perry Township
Lake County
3740 Center Road
P.O. Box 65
Perry, Ohio 44081

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Perry Township, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 9, 2019 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 Finding

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

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.



Keith Faber
Auditor of State
Columbus, Ohio

August 9, 2019

PERRY TOWNSHIP
LAKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

GASB 54 Classifications

<i>Finding Number</i>	2018-001
-----------------------	----------

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.

Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. These classifications were (1) nonspendable, (2) restricted, (3) committed, (4) assigned and, (5) unassigned. Additionally, Statement 54 ¶15 indicated when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned.

The following classification errors were reflected by management in the financial statements for the year ended December 31, 2018:

- General fund subsequent fiscal year appropriations of \$345,082 in excess of estimated resources were reported on the financial statements as an unassigned fund balance instead of an assigned fund balance.
- Special Revenue fund balance reported \$266,916 as an unassigned fund balance instead of a restricted fund balance.
- Capital Projects fund balance reported \$4,840 as an unassigned fund balance instead of a restricted fund balance.

Additionally, the following classification errors were reflected by management in the financial statements for the year ended December 31, 2017:

- General fund subsequent fiscal year appropriations of \$567,045 in excess of estimated resources were reported on the financial statements as an unassigned fund balance instead of an assigned fund balance.
- Special Revenue fund balance reported \$301,540 as an unassigned fund balance instead of a restricted fund balance.
- Capital Projects fund balance reported \$3,503 as an unassigned fund balance instead of a restricted fund balance.

These weaknesses resulted in errors to the financial statements that were not detected by the Township's internal control structure.

**PERRY TOWNSHIP
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

We recommend the Fiscal Officer use the Ohio Township Handbook or UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as sources of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports and any discrepancies should be investigated and corrected in a timely manner.

Officials' Response:

Since implementation of GASB 54 and the Hinkle system, this item has not been brought to the Township's attention, either as an immaterial or material matter and we have never been asked to better define a fund's cash balance beyond "unassigned". Each audit brings an opportunity to the Townships' Officials to understand better the importance of matters from the Auditor's perspective. In this case, we knew of the designations but were not aware of the importance the Auditor places on this characterization of cash on hand at years' end for the sole purpose of the State's financial (Hinkle) report. In the future, we will seek guidance from the Auditor's office to define cash balances per GASB 54.

Auditor of State Conclusion:

While we understand management's concerns regarding the communication of GASB 54 fund balance classifications since the implementation of the Hinkle system, it is management's responsibility for the preparation and fair presentation of their financial statements. It should also be noted the Township's past two Auditor of State engagements (2016-15 and 2014-13) were Agreed-Upon Procedures in which no opinion was expressed on the financial statement presentation including fund balance classifications.

OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 29, 2019**