



**PERRY TOWNSHIP
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



Mary Taylor, CPA
Auditor of State

**PERRY TOWNSHIP
LAKE COUNTY**

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 3, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Perry Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Perry Township, Lake County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 3, 2009

**PERRY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>					<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Local Taxes	\$612,113	\$362,617	\$0	\$0	\$0	\$974,730
Intergovernmental	1,312,206	254,254	0	150,000	0	1,716,460
Special Assessments	0	30,739	97,644	22,089	0	150,472
Licenses, Permits, and Fees	54,687	55,225	0	0	0	109,912
Fines, Forfeitures, and Penalties	155	0	0	0	0	155
Earnings on Investments	86,278	1,270	0	0	1,496	89,044
Other Revenue	220,484	23,739	0	19,296	103	263,622
Total Cash Receipts	2,285,923	727,844	97,644	191,385	1,599	3,304,395
Cash Disbursements:						
Current:						
General Government	1,010,668	39,270	0	0	0	1,049,938
Public Works	183,606	657,648	0	0	0	841,254
Health	297,111	702	0	0	581	298,394
Conservation - Recreation	108,812	34,254	0	0	0	143,066
Miscellaneous	0	6,168	0	0	47	6,215
Debt Service:						
Redemption of Principal	0	0	131,040	0	0	131,040
Interest and Fiscal Charges	0	0	42,472	0	0	42,472
Capital Outlay	84	30,207	0	403,968	0	434,259
Total Cash Disbursements	1,600,281	768,249	173,512	403,968	628	2,946,638
Total Receipts Over/(Under) Disbursements	685,642	(40,405)	(75,868)	(212,583)	971	357,757
Other Financing Receipts and (Disbursements):						
Transfers-In	0	35,000	0	107,000	0	142,000
Transfers-Out	(142,000)	0	0	0	0	(142,000)
Total Other Financing Receipts/(Disbursements)	(142,000)	35,000	0	107,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	543,642	(5,405)	(75,868)	(105,583)	971	357,757
Fund Cash Balances, January 1, 2008	1,057,054	287,735	423,337	1,497,170	14,540	3,279,836
Fund Cash Balances, December 31, 2008	\$1,600,696	\$282,330	\$347,469	\$1,391,587	\$15,511	\$3,637,593
Reserve for Encumbrances, December 31, 2008	\$24,076	\$34,210	\$0	\$34,632	\$0	\$92,918

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

**PERRY TOWNSHIP
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Agency</u>
Operating cash disbursements:	
Miscellaneous	\$56,530
Contractual services	<u>3,742,080</u>
Total Operating cash disbursements	<u>3,798,610</u>
Operating income/(loss)	<u>(3,798,610)</u>
Non-operating cash receipts	
Local taxes	2,883,601
Intergovernmental revenues	<u>915,009</u>
Total non-operating cash receipts	<u>3,798,610</u>
Net receipts over/(under) disbursements	0
Fund Cash Balances, January 1, 2008	<u>3</u>
Fund Cash Balances, December 31, 2008	<u><u>\$3</u></u>

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

**PERRY TOWNSHIP
LAKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Local Taxes	\$711,970	\$370,850	\$0	\$0	\$0	\$1,082,820
Intergovernmental	799,694	231,816	0	693,704	0	1,725,214
Special Assessments	0	32,453	97,643	22,246	0	152,342
Licenses, Permits, and Fees	37,050	63,275	0	0	0	100,325
Fines, Forfeitures, and Penalties	380	0	0	0	0	380
Earnings on Investments	158,250	2,525	0	0	1,120	161,895
Other Revenue	299,271	8,983	0	1,821	0	310,075
Total Cash Receipts	2,006,615	709,902	97,643	717,771	1,120	3,533,051
Cash Disbursements:						
Current:						
General Government	995,742	48,883	0	0	0	1,044,625
Public Works	72,985	725,224	0	0	0	798,209
Health	291,597	0	0	0	805	292,402
Conservation - Recreation	84,169	41,172	0	0	0	125,341
Miscellaneous	0	5,574	0	0	0	5,574
Debt Service:						
Redemption of Principal	0	0	127,742	0	0	127,742
Interest and Fiscal Charges	0	0	48,290	0	0	48,290
Capital Outlay	0	30,106	0	610,600	0	640,706
Total Cash Disbursements	1,444,493	850,959	176,032	610,600	805	3,082,889
Total Receipts Over/(Under) Disbursements	562,122	(141,057)	(78,389)	107,171	315	450,162
Other Financing Receipts and (Disbursements):						
Transfers-In	0	65,580	0	0	0	65,580
Transfers-Out	(65,580)	0	0	0	0	(65,580)
Total Other Financing Receipts/(Disbursements)	(65,580)	65,580	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	496,542	(75,477)	(78,389)	107,171	315	450,162
Fund Cash Balances, January 1, 2007	560,512	363,212	501,726	1,389,999	14,225	2,829,674
Fund Cash Balances, December 31, 2007	\$1,057,054	\$287,735	\$423,337	\$1,497,170	\$14,540	\$3,279,836
Reserve for Encumbrances, December 31, 2007	\$2,693	\$13,606	\$0	\$16,280	\$0	\$32,579

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

**PERRY TOWNSHIP
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Agency
Operating cash disbursements:	
Miscellaneous	\$8,433
Contractual services	4,323,301
Total Operating cash disbursements	4,331,734
Operating income/(loss)	(4,331,734)
Non-operating cash receipts	
Local taxes	3,490,569
Intergovernmental revenues	880,877
Miscellaneous	9,403
Total non-operating cash receipts	4,380,849
Non-operating cash disbursements	
Other non-operating cash disbursements	49,115
Total non-operating cash disbursements	49,115
Net receipts over/(under) disbursements	0
Fund Cash Balances, January 1, 2007	3
Fund Cash Balances, December 31, 2007	\$3

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

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Perry Township, Lake County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road and bridge maintenance, and cemetery maintenance. The Township receives fire protection and emergency medical services from the Perry Joint Fire District. The Perry Joint Fire District is a joint venture between Perry Township, the Village of Perry, and North Perry Village. The District is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District of which one member is required to be an elected official from each entity.

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The Investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the Treasurer of State.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

3. Debt Service Funds

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

General Bond Retirement/Community Center Fund – Receives special assessments for the repayment of the Township's debt issuances.

4. Capital Project Funds

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

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

5. Permanent Funds

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

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

6. Fiduciary Funds

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

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

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

6. Fiduciary Funds (Continued)

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

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the office, department, and division, and within each fund, the amount for personal services level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Cash and Investments

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

	2008	2007
Demand deposits	1,467,261	41,344
Total deposits	1,467,261	41,344
Star Ohio	2,170,335	3,238,495
Total investments	2,170,335	3,238,495
Total deposits and investments	\$3,637,596	\$3,279,839

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,639,185	\$2,285,923	(\$353,262)
Special Revenue	1,038,696	762,844	(275,852)
Debt Service	123,697	97,644	(26,053)
Capital Projects	416,532	298,835	(117,697)
Permanant	15,225	1,599	(13,626)
Total	\$4,233,335	\$3,446,845	(\$786,490)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,938,058	\$1,766,357	\$171,701
Special Revenue	912,449	802,459	109,990
Debt Service	173,512	173,512	0
Capital Projects	500,000	438,600	61,400
Permanent	650	628	22
Total	\$3,524,669	\$3,181,556	\$343,113

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,955,273	\$2,006,615	\$51,342
Special Revenue	974,942	775,482	(199,460)
Debt Service	602,085	97,643	(504,442)
Capital Projects	1,080,025	717,771	(362,254)
Permanent	600	1,120	520
Total	\$4,612,925	\$3,598,631	(\$1,014,294)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,955,573	\$1,512,766	\$442,807
Special Revenue	974,943	864,565	110,378
Debt Service	602,085	176,032	426,053
Capital Projects	1,080,025	626,880	453,145
Permanent	1,000	805	195
Total	\$4,613,626	\$3,181,048	\$1,432,578

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Rate</u>
Lane Road Improvement Bonds	\$ 410,572	4.81%
Community Center	420,000	4.00%
Total	<u>\$ 830,572</u>	

The Township issued general obligation bonds to refinance the Lane Road debt and to finance the community center.

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

	<u>Community Center</u>	<u>Lane Road Bond</u>
Year ending December 31:		
2009	\$82,640	\$93,351
2010	79,910	93,351
2011	82,180	93,351
2012	79,240	93,351
2013	81,300	93,351
2014	78,150	93,351
Total	<u>\$483,420</u>	<u>\$466,755</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year.

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Townships can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined OTARMA members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$300,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007:

<u>Casualty & Property Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$12.8 million and \$12.5 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$21,000. The amount includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on the 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 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.

**PERRY TOWNSHIP
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$20,003
2007	\$17,279
2008	\$18,186

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA sixty days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other further 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.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of Perry Township, Lake County, Ohio, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 3, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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Internal Control over Financial Reporting (Continued)

We noted a certain matter that we reported to the Township's management in a separate letter dated September 3, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or another matter that we reported to the Township's management in a separate letter dated September 3, 2009.

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 3, 2009



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 22, 2009**