



**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.

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**Mary Taylor, CPA**  
Auditor of State

October 5, 2007

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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, 2006 and 2005. 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, 2006 and 2005 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, 2006 and 2005, 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 5, 2007

**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, 2006**

	<b>Governmental Fund Types</b>					<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Permanent</b>	
<b>Cash Receipts:</b>						
Local Taxes	\$596,854	\$335,018	\$0	\$0	\$0	\$931,872
Intergovernmental	677,618	300,168	0	12,606	0	990,392
Special Assessments	0	40,664	100,144	19,734	0	160,542
Licenses, Permits, and Fees	128,429	0	0	0	0	128,429
Fines, Forfeitures, and Penalties	1,248	0	0	0	0	1,248
Earnings on Investments	151,868	2,467	0	0	553	154,888
Other Revenue	167,953	1,415	0	1,908	0	171,276
<b>Total Cash Receipts</b>	<b>1,723,970</b>	<b>679,732</b>	<b>100,144</b>	<b>34,248</b>	<b>553</b>	<b>2,538,647</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	1,061,984	0	0	0	0	1,061,984
Public Works	223,850	500,025	0	0	553	724,428
Health	255,741	0	0	0	0	255,741
Human Services	68,121	0	0	0	0	68,121
Conservation - Recreation	51,061	0	0	0	0	51,061
Miscellaneous	9,032	218	0	0	0	9,250
Debt Service:						
Redemption of Principal	0	0	119,597	0	0	119,597
Interest and Fiscal Charges	0	0	53,744	0	0	53,744
Capital Outlay	0	28,956	0	449,689	0	478,645
<b>Total Cash Disbursements</b>	<b>1,669,789</b>	<b>529,199</b>	<b>173,341</b>	<b>449,689</b>	<b>553</b>	<b>2,822,571</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>54,181</b>	<b>150,533</b>	<b>(73,197)</b>	<b>(415,441)</b>	<b>0</b>	<b>(283,924)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	19,006	0	0	0	0	19,006
Transfers-Out	(10,000)	(9,006)	0	0	0	(19,006)
Advances-In	75,000	0	0	0	0	75,000
Advances-Out	0	(75,000)	0	0	0	(75,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>84,006</b>	<b>(84,006)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	138,187	66,527	(73,197)	(415,441)	0	(283,924)
Fund Cash Balances, January 1, 2006	422,325	296,685	574,923	1,805,440	14,225	3,113,598
<b>Fund Cash Balances, December 31, 2006</b>	<b>\$560,512</b>	<b>\$363,212</b>	<b>\$501,726</b>	<b>\$1,389,999</b>	<b>\$14,225</b>	<b>\$2,829,674</b>
Reserve for Encumbrances, December 31, 2006	\$13,324	\$0	\$0	\$319,973	\$0	\$333,297

*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  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Agency</u>
Operating cash disbursements:	
Miscellaneous	\$65,469
Contractual services	3,861,671
	<hr/>
Total Operating cash disbursements	3,927,140
	<hr/>
Operating income/(loss)	(3,927,140)
	<hr/>
Non-operating cash receipts	
Local taxes	2,847,442
Interest	197
Intergovernmental revenues	1,079,500
	<hr/>
Total non-operating cash receipts	3,927,139
	<hr/>
Net receipts over/(under) disbursements	0
	<hr/>
Fund Cash Balances, January 1, 2006	3
	<hr/>
Fund Cash Balances, December 31, 2006	<u>\$3</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, 2005**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$655,060	\$337,539	\$0	\$0	\$0	\$992,599
Intergovernmental	688,545	209,063	0	34,561	0	932,169
Special Assessments	0	31,837	93,361	22,132	0	147,330
Licenses, Permits, and Fees	31,430	0	0	0	0	31,430
Fines, Forfeitures, and Penalties	1,072	0	0	0	0	1,072
Earnings on Investments	110,722	917	10,485	0	295	122,419
Other Revenue	106,275	6,898	0	6,128	0	119,301
<b>Total Cash Receipts</b>	<u>1,593,104</u>	<u>586,254</u>	<u>103,846</u>	<u>62,821</u>	<u>295</u>	<u>2,346,320</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	913,992	0	0	0	0	913,992
Public Works	767,186	493,777	0	0	295	1,261,258
Health	238,526	0	0	0	0	238,526
Human Services	69,845	0	0	0	0	69,845
Conservation - Recreation	72,954	0	0	0	0	72,954
Miscellaneous	1,450	217	0	0	0	1,667
Debt Service:						
Redemption of Principal	0	0	793,203	0	0	793,203
Interest and Fiscal Charges	0	0	48,070	21,545	0	69,615
Capital Outlay	0	29,375	0	516,487	0	545,862
<b>Total Cash Disbursements</b>	<u>2,063,953</u>	<u>523,369</u>	<u>841,273</u>	<u>538,032</u>	<u>295</u>	<u>3,966,922</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(470,849)</u>	<u>62,885</u>	<u>(737,427)</u>	<u>(475,211)</u>	<u>0</u>	<u>(1,620,602)</u>
<b>Other Financing Receipts and (Disbursements):</b>						
Proceeds of Bond	0	0	642,600	0	0	642,600
Transfers-In	0	0	669,750	0	0	669,750
Transfers-Out	(669,750)	0	0	0	0	(669,750)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(669,750)</u>	<u>0</u>	<u>1,312,350</u>	<u>0</u>	<u>0</u>	<u>642,600</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(1,140,599)</u>	<u>62,885</u>	<u>574,923</u>	<u>(475,211)</u>	<u>0</u>	<u>(978,002)</u>
<b>Fund Cash Balances, January 1, 2005</b>	<u>1,562,924</u>	<u>233,800</u>	<u>0</u>	<u>2,280,651</u>	<u>14,225</u>	<u>4,091,600</u>
<b>Fund Cash Balances, December 31, 2005</b>	<u><u>\$422,325</u></u>	<u><u>\$296,685</u></u>	<u><u>\$574,923</u></u>	<u><u>\$1,805,440</u></u>	<u><u>\$14,225</u></u>	<u><u>\$3,113,598</u></u>
<b>Reserve for Encumbrances, December 31, 2005</b>	<u><u>\$98,702</u></u>	<u><u>\$4,318</u></u>	<u><u>\$0</u></u>	<u><u>\$9,435</u></u>	<u><u>\$0</u></u>	<u><u>\$112,455</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  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Agency</b>
Operating cash disbursements:	
Miscellaneous	\$6,067
Contractual services	4,171,494
Total Operating cash disbursements	4,177,561
Operating income/(loss)	(4,177,561)
Non-operating cash receipts	
Local taxes	3,180,209
Intergovernmental revenues	1,057,546
Interest	0
Total non-operating cash receipts	4,237,755
Non-operating cash disbursements	
Other non-operating cash disbursements	60,194
Total non-operating cash disbursements	60,194
Net receipts over/(under) disbursements	0
Fund Cash Balances, January 1, 2005	3
Fund Cash Balances, December 31, 2005	\$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, 2006 AND 2005**

**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, 2006 AND 2005  
(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, 2006 AND 2005  
(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 2006 and 2005 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, 2006 AND 2005  
(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:

	2006	2005
Demand deposits	577,621	966,534
Total deposits	577,621	966,534
Star Ohio	2,252,056	2,147,067
Total investments	2,252,056	2,147,067
Total deposits and investments	\$2,829,677	\$3,113,601

**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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,386,507	\$1,742,976	(\$643,531)
Special Revenue	1,064,684	679,732	(384,952)
Debt Service	688,283	100,144	(588,139)
Capital Projects	2,296,004	34,248	(2,261,756)
Permenant	14,725	553	(14,172)
Total	\$6,450,203	\$2,557,653	(\$3,892,550)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,805,047	\$1,693,113	\$111,934
Special Revenue	1,419,331	538,205	881,126
Debt Service	173,341	173,341	0
Capital Projects	1,000,000	769,662	230,338
Non-Expendable Trust	553	553	0
Total	\$4,398,272	\$3,174,874	\$1,223,398

**PERRY TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,888,000	\$1,593,104	(\$1,294,896)
Special Revenue	723,083	586,254	(136,829)
Debt Service	1,428,064	1,416,196	(11,868)
Capital Projects	2,528,133	62,821	(2,465,312)
Non-Expendable Trust	500	295	(205)
Total	\$7,567,780	\$3,658,670	(\$3,909,110)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,888,000	\$2,832,405	\$55,595
Special Revenue	636,054	527,687	108,367
Debt Service	842,564	841,273	1,291
Capital Projects	1,000,000	547,467	452,533
Non-Expendable Trust	1,000	295	705
Total	\$5,367,618	\$4,749,127	\$618,491

**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, 2006 AND 2005  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Rate</u>
Lane Road Improvement Bonds	\$ 549,354	4.81%
Community Center	540,000	4.00%
Total	<u>\$ 1,089,354</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:		
2007	\$82,680	\$93,351
2008	80,160	93,351
2009	82,640	93,351
2010	79,910	93,351
2011	82,180	93,351
2012-2014	238,690	186,702
Total	<u>\$646,260</u>	<u>\$653,457</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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

**PERRY TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

**PERRY TOWNSHIP  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7.Risk Management (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$40,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b><u>Contributions to OTARMA</u></b>	
2004	\$ 20,543
2005	\$ 19,300
2006	\$ 20,003

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



# 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, 2006 and 2005, and have issued our report thereon dated October 5, 2007, 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.

**Internal Control over Financial Reporting (Continued)**

We noted certain matters that we reported to the Township's management in a separate letter dated October 5, 2007.

**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 other matters that we reported to the Township's management in a separate letter dated October 5, 2007.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 5, 2007

