

**Perry Township  
Monroe County  
Regular Audit  
For the Year Ended December 31, 2005**





Mary Taylor, CPA  
Auditor of State

Members of the Board  
Perry Township  
38608 State Route 800  
Sardis, Ohio 43946

We have reviewed the *Independent Accountants' Report* of Perry Township, Monroe County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 29, 2007

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**PERRY TOWNSHIP  
MONROE COUNTY**

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***Perry & Associates***  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT**

April 23, 2007

Perry Township  
Monroe County  
38608 State Route 800  
Sardis, Ohio 43946

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry Township, Monroe County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 opinions.

As described more fully in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township as of December 31, 2005 and the respective changes in the cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, FEMA 2903 Fund and FEMA 2095 Fund thereof for the year ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,

**Perry and Associates**  
Certified Public Accountants, A.C.



PERRY TOWNSHIP  
MONROE COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of Perry Township, Monroe County, Ohio's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Government's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$5,222, or 18.8 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which received some funds that will be used by the trustees for capital assets.
- The Township's general receipts are primarily property taxes, local government funding from the state, and use taxes (MVL and Gas taxes). These receipts represent 66 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as the tax base is fairly stable. Gasoline tax has increased because of the extra 2 cents per gallon implemented.
- The Township's amount of debt increased due to the purchase of a John Deere Backhoe, with a loan for approximately 65% of the cost from a local bank. In addition, the Township received approximately \$134,000 from FEMA for disaster recovery expenses.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

PERRY TOWNSHIP  
MONROE COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has only governmental activities.

Governmental activities. Most of the Township's basic services are reported here, including a volunteer fire department. State and federal grants and property taxes finance most of these activities.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Fund, and two FEMA funds (2903 and 2905).

**The Township as a Whole**

Table 1 on the following page provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

PERRY TOWNSHIP  
MONROE COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 32,968	\$ 27,746
Total Assets	\$ 32,968	\$ 27,746
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$ 821	\$ 1,049
Other Purposes	27,240	26,254
Unrestricted	4,907	443
Total Net Assets	\$ 32,968	\$ 27,746

As mentioned previously, net assets of governmental activities increased by \$5,222 or 18.8 percent during 2005. The increase is primarily in the General Fund and the reason is that the trustees established a capital account in the General Fund.

Table 2 reflects the changes in net assets on a cash basis in 2005 for governmental activities. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Change in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Operating Grants and Contributions	\$ 247,870
Total Program Receipts	247,870
General Receipts:	
Property Taxes	21,779
Other Taxes	7,432
Grants and Entitlements Not Restricted	219
Sale of Notes	36,615
Interest	1,085
Miscellaneous	11,614
Total General Receipts	78,744
Total Receipts	\$ 326,614

PERRY TOWNSHIP  
MONROE COUNTY  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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(Table 2)  
**Change in Net Assets** (Continued)

	Governmental Activities
	2005
Disbursements:	
General Government	\$ 16,221
Public Safety	11,253
Public Works	274,272
Capital Outlay	11,818
Principal Retirement	6,047
Interest and Fiscal Charges	1,781
Total Disbursements	321,392
 Excess of Receipts Over (Under) Disbursements	 (31,393)
 Other Financing Sources	
Sale of Notes	36,615
 Net Change in Fund Balance	 5,222
 Net Assets, January 1, 2005	 27,746
Net Assets, December 31, 2005	\$ 32,968

Program receipts represent 76 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and FEMA grant funding for road damage repair work caused by flooding.

General receipts represent 24 percent of the Township's total receipts, and of this amount, over 75 percent is from local taxes and local government funding from the State.

Disbursements for General Government represent the overhead costs of running the Township. These include the costs of township administration.

Public Safety is the cost of fire protection; Public Health Services is funding for the County Health Department.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public works, which account for \$274,272 or 85 percent of all governmental disbursements. General government represents 5 percent of total costs. The next column of the Statement entitled Program Receipts identifies grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service that ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts that are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 on the following page.

PERRY TOWNSHIP  
 MONROE COUNTY  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2005  
 Unaudited

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(Table 3)

**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$ 16,221	\$ (15,888)
Public Safety	11,253	(11,253)
Public Works	274,272	(26,825)
Capital Outlay	11,818	(11,818)
Other	-	90
Principal Retirement	6,047	(6,047)
Interest and Fiscal Charges	1,781	(1,781)
Total Expenses	\$ 321,392	\$ (73,522)

**The Township's Funds**

Total governmental funds had receipts of \$289,999 and disbursements of \$321,392. In addition, the Township received the proceeds of a bank note for \$36,615 that was used to purchase a backhoe.

**General Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The General Fund continues to face constraints on spending due to reductions in the amount of the local government funding received from the State. The General Fund will continue to face funding problems in 2006 because a levy that was placed on the ballot in 2004 did not get approved by the voters.

**Debt Administration**

At December 31, 2005, Perry Township's outstanding debt included \$35,086 in a bank loans with Citizens National Bank in Woodsfield, Ohio, 43793.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and local government funding from the State and have very little industry to support the property base. Also of importance is the fact that the one major industry in the County is operating only at a minimum level due to a labor strike.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gerald Ridgeway, Fiscal Officer, Perry Township, 38608 SR 800, Sardis, Ohio 43946.

**Perry Township, Monroe County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 32,968
<i>Total Assets</i>	32,968
 <b>Net Assets</b>	
Restricted for:	
Debt Service	821
Other Purposes	27,240
Unrestricted	4,907
<i>Total Net Assets</i>	\$ 32,968

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

**Perry Township, Monroe County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
General Government	\$ 16,221	\$ 333	\$ (15,888)
Public Safety	11,253	-	(11,253)
Public Works	274,272	247,447	(26,825)
Capital Outlay	11,818	-	(11,818)
Other	-	90	90
Debt Service:			
Principal	6,047	-	(6,047)
Interest	1,781	-	(1,781)
<i>Total Governmental Activities</i>	<u>\$ 321,392</u>	<u>\$ 247,870</u>	<u>\$ (73,522)</u>
<b>General Receipts</b>			
Property Taxes			21,779
Other Taxes			7,432
Grants and Entitlements not Restricted to Specific Programs			219
Sale of Notes			36,615
Interest			1,085
Miscellaneous			11,614
<i>Total General Receipts</i>			<u>78,744</u>
Change in Net Assets			<u>5,222</u>
<i>Net Assets Beginning of Year</i>			<u>27,746</u>
<i>Net Assets End of Year</i>			<u>\$ 32,968</u>

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

**Perry Township, Monroe County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax	FEMA 2903	FEMA 2905	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 4,907	\$ 2,532	\$ 162	\$ 10,649	\$ 14,718	\$ 32,968
<i>Total Assets</i>	<u>4,907</u>	<u>2,532</u>	<u>162</u>	<u>10,649</u>	<u>14,718</u>	<u>32,968</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	4,907	-	-	-	-	4,907
Special Revenue Funds	-	2,532	162	10,649	13,897	27,240
Debt Service	-	-	-	-	821	821
<i>Total Fund Balances</i>	<u>\$ 4,907</u>	<u>\$ 2,532</u>	<u>\$ 162</u>	<u>\$ 10,649</u>	<u>\$ 14,718</u>	<u>\$ 32,968</u>

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



**Perry Township, Monroe County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax	FEMA 2903	FEMA 2905	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$ 6,423	\$ -	\$ -	\$ -	\$ 14,003	\$ 20,426
Intergovernmental	8,082	91,575	49,186	85,024	23,007	256,874
Interest	1,013	61	-	-	11	1,085
Other	6,910	3,684	-	-	1,020	11,614
<i>Total Receipts</i>	<u>22,428</u>	<u>95,320</u>	<u>49,186</u>	<u>85,024</u>	<u>38,041</u>	<u>289,999</u>
<b>Disbursements</b>						
Current:						
General Government	12,898	-	-	454	2,869	16,221
Public Safety	2,815	-	-	-	8,438	11,253
Public Works	2,250	88,052	49,024	73,921	61,025	274,272
Capital Outlay	-	11,818	-	-	-	11,818
Debt Service:						
Principal Retirement	-	-	-	-	6,047	6,047
Interest and Fiscal Charges	-	-	-	-	1,781	1,781
<i>Total Disbursements</i>	<u>17,963</u>	<u>99,870</u>	<u>49,024</u>	<u>74,375</u>	<u>80,160</u>	<u>321,392</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	4,465	(4,550)	162	10,649	(42,119)	(31,393)
<b>Other Financing Sources (Uses)</b>						
Sale of Notes	-	-	-	-	36,615	36,615
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,615</u>	<u>36,615</u>
<i>Net Change in Fund Balance</i>	4,465	(4,550)	162	10,649	(5,504)	5,222
<i>Fund Balances Beginning of Year</i>	<u>442</u>	<u>7,082</u>	<u>-</u>	<u>-</u>	<u>20,222</u>	<u>27,746</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,907</u>	<u>\$ 2,532</u>	<u>\$ 162</u>	<u>\$ 10,649</u>	<u>\$ 14,718</u>	<u>\$ 32,968</u>

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

**Perry Township, Monroe County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 4,771	\$ 6,405	\$ 6,423	\$ 18
Intergovernmental	8,326	8,082	8,082	-
Interest	100	1,007	1,013	6
Other	1,228	6,804	6,910	106
<i>Total receipts</i>	14,425	22,298	22,428	130
<b>Disbursements</b>				
Current:				
General Government	12,052	14,803	12,898	1,905
Public Safety	2,815	2,815	2,815	-
Public Works	-	2,500	2,250	250
<i>Total Disbursements</i>	14,867	20,118	17,963	2,155
<i>Excess of Receipts Over (Under) Disbursements</i>	(442)	2,180	4,465	2,285
<i>Net Change in Fund Balance</i>	(442)	2,180	4,465	2,285
<i>Fund Balance Beginning of Year</i>	442	442	442	-
<i>Fund Balance End of Year</i>	\$ -	\$ 2,622	\$ 4,907	\$ 2,285

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

**Perry Township, Monroe County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$ 70,643	\$ 92,585	\$ 91,575	\$ (1,010)
Interest	15	15	61	46
Other	2,300	1,868	3,684	1,816
<i>Total receipts</i>	<u>72,958</u>	<u>94,468</u>	<u>95,320</u>	<u>852</u>
<b>Disbursements</b>				
Current:				
Public Works	78,040	89,650	88,052	1,598
Capital Outlay	-	11,900	11,818	82
<i>Total Disbursements</i>	<u>78,040</u>	<u>101,550</u>	<u>99,870</u>	<u>1,680</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,082)</u>	<u>(7,082)</u>	<u>(4,550)</u>	<u>2,532</u>
<i>Net Change in Fund Balance</i>	(5,082)	(7,082)	(4,550)	2,532
<i>Fund Balance Beginning of Year</i>	<u>7,082</u>	<u>7,082</u>	<u>7,082</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,532</u>	<u>\$ 2,532</u>

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

**Perry Township, Monroe County**  
*Statement of Cash Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 FEMA 2903 Fund  
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	40,000	49,186	49,186	-
<i>Total receipts</i>	<u>40,000</u>	<u>49,186</u>	<u>49,186</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
Public Works	35,000	49,186	49,024	162
<i>Total Disbursements</i>	<u>35,000</u>	<u>49,186</u>	<u>49,024</u>	<u>162</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,000</u>	<u>-</u>	<u>162</u>	<u>162</u>
<i>Net Change in Fund Balance</i>	5,000	-	162	162
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 162</u>

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

**Perry Township, Monroe County**  
*Statement of Cash Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*FEMA 2905 Fund*  
*For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	80,000	85,024	85,024	-
<i>Total receipts</i>	<u>80,000</u>	<u>85,024</u>	<u>85,024</u>	<u>-</u>
<b>Disbursements</b>				
Current:				
General Government	500	500	454	46
Public Works	74,773	84,524	73,921	10,603
<i>Total Disbursements</i>	<u>75,273</u>	<u>85,024</u>	<u>74,375</u>	<u>10,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,727</u>	<u>-</u>	<u>10,649</u>	<u>10,649</u>
<i>Net Change in Fund Balance</i>	4,727	-	10,649	10,649
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 4,727</u>	<u>\$ -</u>	<u>\$ 10,649</u>	<u>\$ 10,649</u>

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

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 – Reporting Entity**

Perry Township, Monroe County, Ohio (the Township), is a body politic and corporate established in 1850 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

**Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges. The Township contracts with the Antioch Volunteer Fire Department for fire protection.

**B. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

The Township does not participate in any joint ventures, jointly governed organizations. The Township participates in a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance and debt of the governmental activities of the Township at year-end.

The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program.

General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental funds.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Gas Tax Fund, the FEMA 2903 Fund and the FEMA 2905 Fund.

The General Fund is used to account for all financial resources, except those required to be accounted for 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.

The Gas Tax Fund receives gasoline tax money for constructing, maintaining, and repairing Township roads and bridges.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2005, the Township invested some Township funds in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$1,013.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. .

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.



PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

In 2005 the Township implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Accountability and Compliance**

The Township received FEMA funds in 2004 for repairs to Township road 1002. After reviewing the work request by FEMA, the Township Board decided that the work was not justified from a cost basis. This decision was presented to the OHIO EMA Office, who in turn informed FEMA. Subsequently, FEMA deobligated the federal funds on the project. The Township must repay the funds to OHIO EMA.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 – Budgetary Basis of Accounting** (continued)

The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, the Gas Tax Fund and the two FEMA Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**Note 6 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Deposits and Investments** (continued)

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year-end, the Township had no undeposited cash on hand.

Deposits

At fiscal year end December 31, 2005, the book balance of the Township's deposits was \$19,022 and the bank balance was \$38,253. The bank balance was covered by the Federal Depository Insurance Corporation.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005 the Township's investments total \$13,946, which is maintained in a STAR Ohio account. At December 31, 2005, STAR Ohio received the Standard & Poor's highest credit rating of AAAm.

As of December 31, 2005 the Township had the following investment.

	<u>Carrying and Fair Value</u>	<u>Maturity</u>
STAR Ohio	13,946	Average

Interest Rate Risk - The Township has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The Township has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Fiscal Officer or qualified trustee.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Deposits and Investments** (continued)

Concentration of Credit Risk - The Township places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$0.041 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Residential	\$4,876,330
Agricultural	27,350
Commercial/Industrial/Mineral	0
Tangible Personal Property:	
Business	590
Public Utility	190,570
Total Assessed Value	<u><u>\$5,094,840</u></u>

**Note 8 – Risk Management**

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

**Risk Pool Membership**

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.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Risk Management** (continued)

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 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 stoploss coverage based upon the combined members' total insurable value.

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 2005 was \$1,682,589.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) (latest information available) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Risk Management** (continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 21, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$7,120. 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 charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for 2005 were \$3,857.

After completing one year of membership, members may withdraw on each anniversary date they joined OTARMA. They must provide 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 contribution. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal. Withdrawing members have no other future obligation to the pool.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.

PERRY TOWNSHIP  
MONROE COUNTY  
Notes to the Financial Statements  
For the Year Ended December 31, 2005

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**Note 9 – Defined Benefit Pension Plan** (continued)

The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, and 2004 were \$3,682, and \$3,278 respectively. The full amount has been contributed for 2005 and 2004.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

PERRY TOWNSHIP  
 MONROE COUNTY  
 Notes to the Financial Statements  
 For the Year Ended December 31, 2005

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**Note 10 - Postemployment Benefits** (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 11 - Notes Payable**

A summary of the note transactions for the year ended December 31, 2005, follows:

	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
Loans	\$ 4,687	36,615	6,216	\$ 35,086

The Township obtained an installment loan to purchase a John Deere Backhoe during 2005 for \$36,615 at 5.5%.

The following is a summary of the Township's future annual debt service principal requirements:

Year	
2006	\$ 4,282
2007	3,560
2008	3,767
2009	3,934
2010	4,197
2011 - 2014	\$ 15,346
Totals	\$ 35,086



***Perry & Associates***  
Certified Public Accountants, A.C.

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

April 23, 2007

Perry Township  
Monroe County  
38608 State Route 800  
Sardis, Ohio 43946

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry Township, Monroe County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated April 23, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 opinions 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 the 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 considered 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.

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 that we must report under *Government Auditing Standards*.

This report is intended solely for the information and use of Township management and Board of Trustees and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,

**Perry and Associates**  
**Certified Public Accountants, A.C.**



Mary Taylor, CPA  
Auditor of State

PERRY TOWNSHIP

MONROE 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  
JUNE 12, 2007