

Perry Township
Audited Financial Statements

December 31, 2007 and 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Perry Township
3111 Hilton Street NW
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of Perry Township, Stark County, prepared by Rea & Associates, Inc. for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

June 19, 2008

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**PERRY TOWNSHIP
STARK COUNTY**

DECEMBER 31, 2007 AND 2006

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

May 8, 2008

Board of Trustees
Perry Township
Massillon, OH 44646

Independent Auditor's Report

We have audited the accompanying financial statements of Perry Township (the "Township") as of and for the years ended December 31, 2007 and 2006, 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 audits.

We conducted our audits 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 obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, 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.

Board of Trustees
Perry Township
Independent Auditor's Report
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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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows of its proprietary funds 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 of Perry Township, Stark County, as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2007. 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 also have issued our report dated May 8, 2008 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

Rea & Associates, Inc.

PERRY TOWNSHIP
STARK COUNTY

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

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 67,420	\$ 5,261,307	\$ 80,692	\$ 0	\$ 5,409,419
Intergovernmental Revenue	908,087	1,729,301	0	376,405	3,013,793
Special Assessments	0	5,645	0	0	5,645
Charges For Services	0	406,621	0	0	406,621
Licenses, Permits and Fees	74,333	17,071	0	0	91,404
Fines and Forfeitures	18,330	16,331	0	0	34,661
Gifts	0	4,751	0	0	4,751
Interest	175,008	6,563	0	0	181,571
Miscellaneous	49,212	54,391	0	0	103,603
Total Cash Receipts	1,292,391	7,501,981	80,692	376,405	9,251,469
CASH DISBURSEMENTS:					
Current:					
Public Safety	22,788	4,343,138	0	0	4,365,926
Public Works	0	2,113,836	0	376,405	2,490,241
Health	154,710	0	0	0	154,710
Conservation - Recreation	473,092	0	0	0	473,092
Miscellaneous	0	104,666	0	0	104,666
General Government	760,102	0	0	0	760,102
Capital Outlay	0	4,899	550,000	0	554,899
Debt Service:					
Principal	34,375	0	50,000	0	84,375
Interest	19,754	0	30,691	0	50,445
Total Cash Disbursements	1,464,821	6,566,539	630,691	376,405	9,038,456
Total Cash Receipts Over (Under) Cash Disbursements	(172,430)	935,442	(550,000)	0	213,012
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Proceeds from Bonds	0	0	550,000	0	550,000
Transfers - In	0	7,204	0	0	7,204
Transfers - Out	(7,204)	0	0	0	(7,204)
Other Financing Sources	13,361	0	0	0	13,361
Total Other Financing Receipts (Disbursements)	6,157	7,204	550,000	0	563,360
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(166,273)	942,646	0	0	776,373
FUND CASH BALANCES, January 1, 2007	1,248,467	1,434,321	0	0	2,682,788
FUND CASH BALANCES, December 31, 2007	\$1,082,194	\$ 2,376,966	\$ 0	\$ 0	\$ 3,459,160

The accompanying notes are an integral part of these financial statements.

PERRY TOWNSHIP
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary</u>
	<u>Internal Service</u> <u>Fund</u>
OPERATING CASH RECEIPTS:	
Charges for services	<u>\$ 551,985</u>
Total Operating Cash Receipts	551,985
OPERATING CASH DISBURSEMENTS:	
Contractual services	<u>570,851</u>
Total Operating Cash Disbursements	<u>570,851</u>
Operating Loss	(18,866)
FUND CASH BALANCES, January 1, 2007	<u>40,278</u>
FUND CASH BALANCES, December 31, 2007	<u><u>\$ 21,412</u></u>

The accompanying notes are an integral part of these financial statements.

PERRY TOWNSHIP
STARK 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

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 62,674	\$ 4,919,488	\$ 72,706	\$ 0	\$ 5,054,868
Intergovernmental Revenue	1,522,810	1,327,868	0	1,057,159	3,907,836
Special Assessments	0	3,940	0	0	3,940
Charges For Services	0	449,537	0	0	449,537
Licenses, Permits and Fees	63,782	12,378	0	0	76,160
Fines and Forfeitures	20,153	12,525	0	0	32,678
Gifts	0	36,318	0	0	36,318
Interest	112,337	5,105	0	0	117,442
Miscellaneous	49,970	67,800	0	0	117,770
Total Cash Receipts	1,831,726	6,834,959	72,706	1,057,159	9,796,549
CASH DISBURSEMENTS:					
Current:					
Public Safety	18,724	4,281,059	0	0	4,299,783
Public Works	0	2,205,039	0	1,057,159	3,262,198
Health	123,736	0	0	0	123,736
Conservation - Recreation	215,351	0	0	0	215,351
Miscellaneous	0	9,769	0	0	9,769
General Government	714,581	0	0	0	714,581
Capital Outlay	0	3,893	0	0	3,893
Debt Service:					
Principal	0	0	40,000	0	40,000
Interest	0	0	32,706	0	32,706
Total Cash Disbursements	1,072,392	6,499,759	72,706	1,057,159	8,702,016
Total Cash Receipts Over (Under) Cash Disbursements	759,334	335,199	0	0	1,094,534
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Transfers - In	0	9,296	0	0	9,296
Transfers - Out	(9,296)	0	0	0	(9,296)
Other Financing Sources	10,642	0	0	0	10,642
Total Other Financing Receipts (Disbursements)	1,346	9,296	0	0	10,642
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	760,680	344,496	0	0	1,105,176
FUND CASH BALANCES, January 1, 2006	487,787	1,089,825	0	0	1,577,612
FUND CASH BALANCES, December 31, 2006	\$1,248,467	\$ 1,434,321	\$ 0	\$ 0	\$ 2,682,788

The accompanying notes are an integral part of these financial statements.

PERRY TOWNSHIP
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary</u>
	<u>Internal Service</u>
	<u>Fund</u>
OPERATING CASH RECEIPTS:	
Charges for services	<u>\$ 528,675</u>
Total Operating Cash Receipts	<u>528,675</u>
OPERATING CASH DISBURSEMENTS:	
Contractual services	<u>494,450</u>
Total Operating Cash Disbursements	<u>494,450</u>
Operating Income	34,225
FUND CASH BALANCES, January 1, 2006	<u>6,053</u>
FUND CASH BALANCES, December 31, 2006	<u><u>\$ 40,278</u></u>

The accompanying notes are an integral part of these financial statements.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Perry Township, Stark County (the "Township"), is a body corporate and politic established 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 provides general governmental services, including street and road maintenance, emergency management services, fire protection and police protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts, gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following significant Special Revenue Funds:

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

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

Road and Bridge Fund – This fund receives property tax, motor vehicle and gasoline tax money for road improvement and maintenance.

3. Debt Service Fund – This fund receives property tax revenue to pay the police building and park note debt.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township has the following significant Capital Projects Fund:

Leonard Dannemiller Storm Sewer – This fund is used to account for receipts from federal, state and local government to be used for the installation and improvement of the Township’s storm sewer system.

5. Proprietary Funds

These funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The Township’s only proprietary fund is an internal service fund.

Internal Service Fund – This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Township on a cost reimbursement basis. The Township’s only internal service fund accounts for a self-insurance program which provides medical benefits to employees.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$ 130,572	\$ 123,066
Certificates of deposit	<u>3,350,000</u>	<u>2,600,000</u>
Total deposits and investments	<u>\$ 3,480,572</u>	<u>\$ 2,723,066</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 716,594	\$ 1,305,752	\$ 589,158
Special Revenue	7,385,482	7,509,185	123,703
Debt Service	630,692	630,692	0
Capital Projects	2,000,000	376,405	(1,623,595)
Internal Service	550,455	551,985	1,530
Total	\$ 11,283,223	\$ 10,374,019	\$ (909,204)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,965,060	\$ 1,472,025	\$ 493,035
Special Revenue	8,819,806	6,566,539	2,253,267
Debt Service	630,692	630,691	1
Capital Projects	2,000,000	376,405	1,623,595
Internal Service	590,733	570,851	19,882
Total	\$ 14,006,291	\$ 9,616,511	\$ 4,389,780

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 3: BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 693,452	\$ 1,842,368	\$ 1,148,916
Special Revenue	6,526,156	6,844,255	318,099
Debt Service	72,706	72,706	0
Capital Projects	2,000,000	1,057,159	(942,841)
Internal Service	537,030	528,675	(8,355)
Total	\$ 9,829,344	\$ 10,345,163	\$ 515,819

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,180,533	\$ 1,081,688	\$ 98,845
Special Revenue	7,585,245	6,499,759	1,085,486
Debt Service	72,706	72,706	0
Capital Projects	2,000,000	1,057,159	942,841
Internal Service	543,083	494,450	48,633
Total	\$ 11,381,567	\$ 9,205,762	\$ 2,175,805

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4: PROPERTY TAX (Continued)

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.

NOTE 5: DEBT

The Township's note activity, including amount outstanding, interest rate, and the purpose for which the note was issued is as follows:

	Outstanding 01/01/06	Additions	Reductions	Outstanding 12/31/06
4.74% Police Building Note	\$ 700,000	\$ 0	\$ 40,000	\$ 660,000
	Outstanding 01/01/07	Additions	Reductions	Outstanding 12/31/07
4.74% Police Building Note	\$ 660,000	\$ 0	\$ 50,000	\$ 610,000
5.47% Park Improvement Note	0	550,000	34,375	515,625
	\$ 660,000	\$ 550,000	\$ 84,375	\$ 1,125,625

The note is backed by the full faith and credit of the Township. The note has a term of fifteen years. The note was originally issued in 2003. The note debt is required to be paid off in 2017. Amortization of the above debt, including interest, is scheduled as follows:

		Police Building Note
Year ending December 31:	2008	\$ 80,691
	2009	78,321
	2010	75,952
	2011	73,581
	2012	81,212
	2013-2017	398,111
		\$ 787,868

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 5: DEBT (Continued)

The note is backed by the full faith and credit of the Township. The note has a term of fifteen years. The note was originally issued in 2007. The note debt is required to be paid off in 2022. Amortization of the above debt, including interest, is scheduled as follows:

			Park Improvement Note	
Year ending December 31:	2008	\$	62,110	
	2009		60,229	
	2010		58,349	
	2011		56,469	
	2012		54,588	
	2013-2018		253,669	
	2019-2022		188,798	
			734,212	
		\$	734,212	

NOTE 6: CAPITAL LEASE

During 2006, the Township paid off their capital lease with Elgin Sweeper Company for a Street Sweeper. The lease was for a 5 year period and bears an annual interest rate of 5.39%. The Capital Lease allowed for a payoff amount each year. The payment made in 2006 was \$151,761.60, which includes \$144,000 of principal and \$7,761.60 of interest and was reported as public works expense in the Road District Fund. The Capital Lease was removed from the debt schedule, thus eliminating the total debt outstanding for the 2006 year end.

NOTE 7: RETIREMENT SYSTEMS

The Township's certified fire fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multi-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. PERS members contributed 9.0 percent in 2006 and 9.5 percent in 2007 of their gross salaries. The Township contributed an amount equal to 13.70 percent in 2006 and 13.85 percent in 2007 of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 8: 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 Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity 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

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 Traveler Indemnity Company reinsures 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 annual aggregate loss payment. Travelers provides aggregate stop-loss 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 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.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 8: RISK MANAGEMENT (Continued)

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 as follows:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	<u>(11,443,952)</u>	<u>12,344,576</u>
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	<u>(676,709)</u>	<u>1,406,031</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

The Casualty coverage assets and retained earnings above include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

NOTE 9: CONTINGENT LIABILITIES

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

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 10: JOINT VENTURE

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



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

May 8, 2008

Board of Trustees
Perry Township
Massillon, OH 44646

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Perry Township (the "Township") as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 8, 2008. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Perry Township, Ohio
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 8, 2008.

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2008**