

Perry Township

Audited Financial Statements

December 31, 2005 and 2004



**Auditor of State
Betty Montgomery**

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, 2004 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.

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's Office (AOS). 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 AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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 AOS 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 22, 2006

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**PERRY TOWNSHIP
STARK COUNTY**

DECEMBER 31, 2005 AND 2004

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

September 13, 2006

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, 2005 and 2004, 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 audits 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. 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 more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use generally accepted accounting principles 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
Page 2

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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township, Stark County, as of December 31, 2005 and 2004 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, 2005 and 2004. 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 September 13, 2006 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 conjunction with this report in assessing the results of our audits.

Hea & 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, 2005

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 60,536	\$ 4,171,388	\$ 74,602	\$ 0	\$ 4,306,526
Intergovernmental Revenue	639,298	943,168	0	870,220	2,452,686
Special Assessments	0	4,088	0	0	4,088
Charges For Services	0	417,339	0	0	417,339
Licenses, Permits and Fees	104,801	0	0	0	104,801
Fines and Forfeitures	17,933	127,160	0	0	145,093
Gifts	0	12,075	0	0	12,075
Interest	41,585	1,231	0	0	42,816
Miscellaneous	13,767	1	0	0	13,768
Total Cash Receipts	877,921	5,676,449	74,602	870,220	7,499,192
CASH DISBURSEMENTS:					
Current:					
Public Safety	34,875	3,702,409	0	0	3,737,284
Public Works	0	1,575,936	0	870,220	2,446,156
Health	164,486	0	0	0	164,486
Conservation - Recreation	158,275	0	0	0	158,275
Miscellaneous	0	56	0	0	56
General Government	704,703	0	0	0	704,703
Capital Outlay	0	11,234	0	0	11,234
Contract Services	0	0	0	0	0
Debt Service:					
Principal	0	0	40,000	0	40,000
Interest	0	0	34,602	0	34,602
Total Cash Disbursements	1,062,340	5,289,635	74,602	870,220	7,296,797
Total Cash Receipts Over (Under) Cash Disbursements	(184,419)	386,813	0	0	202,395
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Transfers - In	0	6,118	0	0	6,118
Other Financing Sources	10,483	0	0	0	10,483
Total Other Financing Receipts (Disbursements)	10,483	6,118	0	0	16,600
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(173,936)	392,931	0	0	218,995
FUND CASH BALANCES, January 1, 2005	661,722	696,894	0	0	1,358,616
FUND CASH BALANCES, December 31, 2005	\$ 487,787	\$ 1,089,825	\$ 0	\$ 0	\$ 1,577,611

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, 2005

	<u>Proprietary</u>
	<u>Internal Service Fund</u>
OPERATING CASH RECEIPTS:	
Charges for services	<u>\$ 497,110</u>
Total Operating Cash Receipts	497,110
OPERATING CASH DISBURSEMENTS:	
Contractual services	<u>491,057</u>
Total Operating Cash Disbursements	<u>491,057</u>
Operating Income	6,053
FUND CASH BALANCES, January 1, 2005	<u>0</u>
FUND CASH BALANCES, December 31, 2005	<u><u>\$ 6,053</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, 2004

	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:					
Taxes	\$ 62,046	\$ 4,054,760	\$ 76,498	\$ 0	\$ 4,193,304
Intergovernmental Revenue	1,301,246	944,629	0	354,526	2,600,401
Special Assessments	0	4,060	0	0	4,060
Charges For Services	0	454,753	0	0	454,753
Licenses, Permits and Fees	124,623	0	0	0	124,623
Fines and Forfeitures	25,324	182,193	0	0	207,517
Gifts	0	15,147	0	0	15,147
Interest	13,562	180	0	0	13,742
Miscellaneous	40,998	23,089	0	0	64,088
Total Cash Receipts	1,567,800	5,678,812	76,498	354,526	7,677,636
CASH DISBURSEMENTS:					
Current:					
Public Safety	142,887	3,847,355	0	0	3,990,242
Public Works	0	1,553,108	0	354,526	1,907,634
Health	118,770	0	0	0	118,770
Conservation - Recreation	147,186	0	0	0	147,186
General Government	667,072	0	0	0	667,072
Capital Outlay	0	4,699	0	151,996	156,695
Debt Service:					
Principal	0	0	40,000	0	40,000
Interest	0	0	36,498	0	36,498
Total Cash Disbursements	1,075,915	5,405,162	76,498	506,522	7,064,097
Total Cash Receipts Over (Under) Cash Disbursements	491,885	273,650	0	(151,996)	613,539
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Other Financing Sources	49,017	0	0	0	49,017
Total Other Financing Receipts (Disbursements)	49,017	0	0	0	49,017
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	540,902	273,650	0	(151,996)	662,556
FUND CASH BALANCES, January 1, 2004	120,821	423,244	0	151,996	696,061
FUND CASH BALANCES, December 31, 2004	<u>\$ 661,722</u>	<u>\$ 696,894</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,358,617</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary</u>
	<u>Internal Service</u>
	<u>Fund</u>
OPERATING CASH RECEIPTS:	
Charges for services	<u>\$ 459,000</u>
Total Operating Cash Receipts	<u>459,000</u>
OPERATING CASH DISBURSEMENTS:	
Contractual services	<u>459,000</u>
Total Operating Cash Disbursements	<u>459,000</u>
Operating Income	0
FUND CASH BALANCES, January 1, 2004	<u>0</u>
FUND CASH BALANCES, December 31, 2004	<u><u>\$ 0</u></u>

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

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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, 2005 AND 2004**

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 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:

West Manor Phase I Fund – 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, 2005 AND 2004**

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 2005 and 2004 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, 2005 AND 2004**

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>2005</u>	<u>2004</u>
Demand deposits	\$ (91,336)	\$ 8,617
Certificates of deposit	<u>1,675,000</u>	<u>1,350,000</u>
Total deposits and investments	<u>\$ 1,583,664</u>	<u>\$ 1,358,617</u>

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

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 696,617	\$ 888,404	\$ 191,787
Special Revenue	5,547,815	5,682,567	134,752
Debt Service	74,602	74,602	0
Capital Projects	2,939,486	870,220	(2,069,266)
Internal Service	497,250	497,110	(140)
Total	<u>\$ 9,755,770</u>	<u>\$ 8,012,903</u>	<u>\$ (1,742,867)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,358,339	\$ 1,062,340	\$ 295,999
Special Revenue	6,244,532	5,289,635	954,897
Debt Service	74,602	74,602	0
Capital Projects	2,939,486	870,220	2,069,266
Internal Service	497,250	491,057	6,193
Total	<u>\$ 11,114,209</u>	<u>\$ 7,787,854</u>	<u>\$ 3,326,355</u>

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 3: BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,187,101	\$ 1,616,817	\$ 429,716
Special Revenue	5,389,350	5,678,812	289,462
Debt Service	76,498	76,498	0
Capital Projects	3,439,486	354,526	(3,084,960)
Internal Service	459,000	459,000	0
Total	\$ 10,551,435	\$ 8,185,653	\$ (2,365,782)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,307,921	\$ 1,075,915	232,006
Special Revenue	5,809,594	5,405,162	404,432
Debt Service	76,498	76,498	0
Capital Projects	3,591,482	506,522	3,084,960
Internal Service	459,000	459,000	0
Total	\$ 11,244,495	\$ 7,523,097	\$ 3,721,398

During 2005 and 2004, the Township did not certify the availability of funds for various expenditures which is contrary to Ohio Rev. Code Section 5705.41(D).

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, 2005 AND 2004**

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 1/1/2004	Additions	Reductions	Outstanding 12/31/2004										
4.74% Police Building Note	\$ 780,000	\$ -	\$ 40,000	\$ 740,000										
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Outstanding 1/1/2005</th> <th style="text-align: center; border-bottom: 1px solid black;">Additions</th> <th style="text-align: center; border-bottom: 1px solid black;">Reductions</th> <th style="text-align: center; border-bottom: 1px solid black;">Outstanding 12/31/2005</th> </tr> </thead> <tbody> <tr> <td>4.74% Police Building Note</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 740,000</td> <td style="text-align: right; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 40,000</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 700,000</td> </tr> </tbody> </table>						Outstanding 1/1/2005	Additions	Reductions	Outstanding 12/31/2005	4.74% Police Building Note	\$ 740,000	\$ -	\$ 40,000	\$ 700,000
	Outstanding 1/1/2005	Additions	Reductions	Outstanding 12/31/2005										
4.74% Police Building Note	\$ 740,000	\$ -	\$ 40,000	\$ 700,000										

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:	2006	\$ 72,706
	2007	80,692
	2008	78,322
	2009	75,952
	2010	73,582
	2011-2015	383,684
	2016-2017	164,362
		\$ 929,300

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 6: CAPITAL LEASE

During 2005, the Township entered into a capital lease with Elgin Sweeper Company for the purchase of a Street Sweeper. The lease is for a period of 5 years and bears an annual interest rate of 5.39%. Payments will be made annually over 5 years.

The following is a schedule of the future minimum lease payments under the capital lease at December 31, 2005:

Year ending December 31:	<u>Amount</u>
2006	\$ 27,336
2007	27,336
2008	27,336
2009	27,336
2010	<u>27,336</u>
Total Minimum Lease Payments	136,679
Less: Amount Representing Interest	<u>27,673</u>
Net Present Value of Future Minimum Lease Payments	<u>\$ 109,005</u>

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 2005 and 2004, members of OP&F contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

NOTE 8: RISK MANAGEMENT

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

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 8: RISK MANAGEMENT (Continued)

Casualty Insurance – OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$2,000,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$10,000,000 per year, subject to a per-claim limit of \$1,750,000.

Property Insurance - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss. The Traveler Indemnity Company reinsures specific losses exceeding \$100,000. 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 1 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 \$60 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, payment 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.

**PERRY TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 8: RISK MANAGEMENT (Continued)

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, 2005 and 2004 as follows:

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

The Casualty coverage assets and retained earnings above 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. 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 defendant in one lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

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

September 13, 2006

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, 2005 and 2004, and have issued our report thereon dated September 13, 2006, wherein we noted the Township follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated September 13, 2006.

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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is 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 September 13, 2006.

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 these specific parties.

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 7, 2006**