



Mary Taylor, CPA
Auditor of State

**PERRY TOWNSHIP
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perry Township
Columbiana County
P.O. Box 795
Salem, Ohio 44460

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Perry Township, Columbiana County, Ohio (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 opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, 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 basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Perry Township, Columbiana County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General, Road and Bridge, Police District and Fire Department funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial 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*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. 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 Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

August 14, 2007

Perry Township
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Perry Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township'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 \$91,820 or 6.1%, from the prior year.

The Township's general receipts are primarily property taxes. These receipts represent 57% of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

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
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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. Program receipts include charges paid by the recipient of the program's goods or services and 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 taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. Most of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has no business-type activity.

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 split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most 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 non-major 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, Road and Bridge Fund, Police District Fund and Fire Department Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Perry Township
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has no enterprise funds. When the services are provided to other department of the Township, the service is reported as an internal service fund. The Township has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. Perry Township's only fiduciary fund is the Culvert Deposit fund. A deposit is taken at the time of new construction to insure the driveway culvert is installed. Once it is has been properly installed and inspected, the deposit is refunded to the property owner.

The Township as a Whole

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

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 1,594,554	\$ 1,515,080
Total Assets	<u>\$ 1,594,554</u>	<u>\$ 1,515,080</u>
Net Assets		
Restricted for:		
Other Purposes	1,072,992	944,780
Unrestricted	<u>521,562</u>	<u>570,300</u>
Total Net Assets	<u>\$1,594,554</u>	<u>\$1,515,080</u>

As mentioned previously, net assets of governmental activities increased \$91,820 or 6.1% during 2005. The primary reason contributing to the increase in cash balance is prudent spending by township officials to secure the future of the township.

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.

Perry Township
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 40,916
Operating Grants and Contributions	<u>94,358</u>
Total Program Receipts	<u>135,274</u>
General Receipts:	
Property and Other Local Taxes	604,538
Grants and Entitlements Not Restricted to Specific Programs	256,483
Special Assessments	2,257
Interest	14,542
Miscellaneous	55,173
Other Sources	<u>12</u>
Total General Receipts	<u>933,005</u>
Total Receipts	<u>1,068,279</u>
Disbursements:	
General Government	300,835
Public Safety	336,453
Capital Outlay	29,038
Public Works	<u>310,133</u>
Total Disbursements	<u>976,459</u>
Excess (Deficiency) Before Transfers	91,820
Transfers	<u> </u>
Increase (Decrease) in Net Assets	<u>91,820</u>
Net Assets, January 1, 2005	<u>1,502,734</u>
Net Assets, December 31, 2005	<u>\$ 1,594,554</u>

Program receipts represent only 13% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges to nearby Township for police services provided under contract.

General receipts represent 87% of the Township's total receipts, and of this amount over 65% are property taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (27%) Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the trustees, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 33% of General Fund unrestricted receipts.

Perry Township
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on page 10 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 safety and public works, which account for 34% and 32% of all governmental disbursements, respectively. General government also represents a significant cost of about 31%. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and 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 which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which 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.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$300,835	(\$268,119)
Public Safety	336,453	(336,453)
Public Works	310,133	(207,575)
Capital Outlay	29,038	(29,038)
Total Governmental Activities	<u>\$976,459</u>	<u>(\$841,185)</u>

The dependence upon property receipts is apparent as approximately 62% percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$1,068,267 and disbursements of \$976,459. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$48,737 as the result of increased costs for salaries and benefits and fuel costs for the police department due to the current economic situation.

General Fund receipts were less than disbursements by \$48,737 indicating that the General Fund is in a deficit spending situation. Health care issues will be addressed to help eliminate this situation.

General Fund 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 most significant budgeted fund is the General Fund.

During 2005, the Township did not have any necessary budget amendments for the General Fund. The difference between final budgeted receipts and actual receipts was not significant. Final disbursements were budgeted at \$376,450 while actual disbursements were \$345,485 which includes \$22,500 of funds which were transferred between the General fund and the Police District fund to continue paying bills while awaiting property tax checks. The Township kept spending very close to budgeted amounts as demonstrated by the reported variances. The result is the decrease in fund balance of \$49,228 for 2005.

Perry Township
Columbiana County

Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, Perry Township had no outstanding debt.

Current Issues

The challenge for all Townships 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 property taxes. Our goal is to serve the needs of our residents as cost effectively as we can and to help preserve and maintain the funds of the Township for the future of the Township. As revenues begin to decrease due to outside economic developments, out of the control of the Trustees and Fiscal Officer, we will strive to maintain the same quality level of services our residents have come to expect at a cost which will be acceptable to all. Budgets are required of all department heads prior to the new year in anticipation of what their needs will be so that we can formulate plans to accommodate their requests timely and cost effectively.

The Township has entered into a Joint Fire Agreement with the City of Salem to provide fire protection for both entities. The district has not yet been formed. An annexation agreement was also entered into with the City of Salem to protect the lands of the Township from annexation, yet affording our residents the ability to secure water and or sewer service without the threat of annexation from the city.

Contacting the Township'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 Susan Johnston, Fiscal Officer, Perry Township, 2198 N Ellsworth Ave, Salem OH 44460.

PERRY TOWNSHIP, COLUMBIANA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,594,554</u>
<i>Total Assets</i>	<u><u>\$1,594,554</u></u>
Net Assets	
Restricted for:	
Other Purposes	1,072,992
Unrestricted	<u>521,562</u>
<i>Total Net Assets</i>	<u><u>\$1,594,554</u></u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$300,835	\$32,716		(\$268,119)
Public Safety	336,453			(336,453)
Public Works	310,133	8,200	94,358	(207,575)
Capital Outlay	29,038			(29,038)
<i>Total Governmental Activities</i>	976,459	40,916	94,358	(841,185)
General Receipts				
Property Taxes				\$604,538
Grants and Entitlements not Restricted to Specific Programs				256,483
Special Assessments				2,257
Earnings on Investments				14,542
Miscellaneous				55,173
<i>Total General Receipts</i>				932,993
Transfers In				22,500
Transfers Out				(22,500)
Other Sources				12
Total General Receipts, Special & Extraordinary Items, Transfers and Advances				<u>933,005</u>
Change in Net Assets				91,820
<i>Net Assets Beginning of Year</i>				<u>1,502,734</u>
<i>Net Assets End of Year</i>				<u><u>1,594,554</u></u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2005

	<u>GENERAL</u>	<u>ROAD AND BRIDGE</u>	<u>POLICE DISTRICT</u>	<u>FIRE DEPT</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$521,562	\$458,710	\$26,227	\$233,167	\$354,888	\$1,594,554
<i>Total Assets</i>	<u>\$521,562</u>	<u>\$458,710</u>	<u>\$26,227</u>	<u>\$233,167</u>	<u>\$354,888</u>	<u>\$1,594,554</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$491	\$5,391		\$6,000		\$11,882
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	521,071					521,071
Special Revenue Funds		453,319	26,227	227,167	354,888	1,061,601
<i>Total Fund Balances</i>	<u>\$521,562</u>	<u>\$458,710</u>	<u>\$26,227</u>	<u>\$233,167</u>	<u>\$354,888</u>	<u>\$1,594,554</u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	GENERAL	ROAD AND BRIDGE	POLICE DISTRICT	FIRE DEPT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$56,269	\$228,135	\$226,661	\$93,474	\$8,200	\$612,739
Licenses, Permits and Fees	141				5,520	5,661
Fines and Forfeitures	26,016				1,039	27,055
Intergovernmental	167,350	34,551	36,799	15,294	96,846	350,840
Special Assessments					2,257	2,257
Earnings on Investments	12,613				1,929	14,542
Miscellaneous	33,856	187	21,055	75		55,173
Total Receipts	296,245	262,873	284,515	108,843	115,791	1,068,267
Disbursements						
Current:						
General Government	293,456			1,801	5,578	300,835
Public Safety			301,448	35,005		336,453
Public Works		273,925			36,208	310,133
Capital Outlay	29,038					29,038
Total Disbursements	322,494	273,925	301,448	36,806	41,786	976,459
Excess of Receipts Over (Under) Disbursements	(26,249)	(11,052)	(16,933)	72,037	74,005	91,808
Other Financing Sources (Uses)						
Transfers In			22,500			22,500
Transfers Out	(22,500)					(22,500)
Advances In	15,000		15,000			30,000
Advances Out	(15,000)		(15,000)			(30,000)
Other Financing Sources	12					12
Total Other Financing Sources (Uses)	(22,488)		22,500			12
Net Change in Fund Balances	(48,737)	(11,052)	5,567	72,037	74,005	91,820
Fund Balances Beginning of Year	570,299	469,762	20,660	161,130	280,883	1,502,734
Fund Balances End of Year	<u>\$521,562</u>	<u>\$458,710</u>	<u>\$26,227</u>	<u>\$233,167</u>	<u>\$354,888</u>	<u>\$1,594,554</u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$58,001	\$58,001	\$56,269	\$1,732
Licenses, Permits and Fees	3,000	3,000	141	2,859
Fines and Forfeitures	29,700	29,700	26,016	3,684
Intergovernmental	144,913	144,913	167,350	(22,437)
Earnings on Investments	8,500	8,500	12,613	(4,113)
Miscellaneous	30,700	30,700	33,856	(3,156)
<i>Total Receipts</i>	<u>274,814</u>	<u>274,814</u>	<u>296,245</u>	<u>(21,431)</u>
Disbursements				
Current:				
General Government	319,950	319,950	293,947	26,003
Capital Outlay	34,000	34,000	29,038	4,962
<i>Total Disbursements</i>	<u>353,950</u>	<u>353,950</u>	<u>322,985</u>	<u>30,965</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(79,136)</u>	<u>(79,136)</u>	<u>(26,740)</u>	<u>(52,396)</u>
Other Financing Sources (Uses)				
Transfers In	10,000	10,000		(10,000)
Transfers Out	(22,500)	(22,500)	(22,500)	
Advances In	15,000	15,000	15,000	
Advances Out	(15,000)	(15,000)	(15,000)	
Other Financing Sources			12	12
<i>Total Other Financing Sources (Uses)</i>	<u>(12,500)</u>	<u>(12,500)</u>	<u>(22,488)</u>	<u>(9,988)</u>
<i>Net Change in Fund Balance</i>	(91,636)	(91,636)	(49,228)	(42,408)
<i>Fund Balance Beginning of Year</i>	570,299	570,299	570,299	
Prior Year Encumbrances Appropriated	491	491	491	
<i>Fund Balance End of Year</i>	<u>\$479,154</u>	<u>\$479,154</u>	<u>\$521,562</u>	<u>(\$42,408)</u>

See accompanying notes to the basic financial statements

PERRY TOWNSHIP, COLUMBIANA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$228,402	\$228,402	\$228,135	(\$267)
Intergovernmental	30,000	30,000	34,551	4,551
Miscellaneous	1,000	1,000	187	(813)
<i>Total Receipts</i>	<u>259,402</u>	<u>259,402</u>	<u>262,873</u>	<u>3,471</u>
Disbursements				
Current:				
Public Works	230,000	322,000	279,316	(42,684)
<i>Total Disbursements</i>	<u>230,000</u>	<u>322,000</u>	<u>279,316</u>	<u>(42,684)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,402</u>	<u>(62,598)</u>	<u>(16,443)</u>	<u>46,155</u>
Other Financing Sources (Uses)				
<i>Net Change in Fund Balance</i>	29,402	(62,598)	(16,443)	46,155
<i>Fund Balance Beginning of Year</i>	469,762	469,762	469,762	
Prior Year Encumbrances Appropriated	5,391	5,391	5,391	
<i>Fund Balance End of Year</i>	<u>\$504,555</u>	<u>\$412,555</u>	<u>\$458,710</u>	<u>\$46,155</u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$215,225	\$215,225	\$226,661	\$11,436
Intergovernmental	30,000	30,000	36,799	6,799
Miscellaneous	2,500	2,500	21,055	18,555
<i>Total Receipts</i>	<u>247,725</u>	<u>247,725</u>	<u>284,515</u>	<u>36,790</u>
Disbursements				
Current:				
Public Safety	288,550	309,550	301,998	(7,552)
<i>Total Disbursements</i>	<u>288,550</u>	<u>309,550</u>	<u>301,998</u>	<u>(7,552)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,825)</u>	<u>(61,825)</u>	<u>(17,483)</u>	<u>44,342</u>
Other Financing Sources (Uses)				
Transfers In	22,500	22,500	22,500	
Advances In	15,000	15,000	15,000	
Advances Out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	
<i>Total Other Financing Sources (Uses)</i>	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	
<i>Net Change in Fund Balance</i>	(18,325)	(39,325)	5,017	44,342
<i>Fund Balance Beginning of Year</i>	20,660	20,660	20,660	
Prior Year Encumbrances Appropriated	<u>550</u>	<u>550</u>	<u>550</u>	
<i>Fund Balance End of Year</i>	<u>\$2,885</u>	<u>(\$18,115)</u>	<u>\$26,227</u>	<u>\$44,342</u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Department Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$103,191	\$103,191	\$93,474	(\$9,717)
Intergovernmental	12,000	12,000	15,294	\$3,294
Miscellaneous	500	500	75	(\$425)
<i>Total Receipts</i>	<u>115,691</u>	<u>115,691</u>	<u>108,843</u>	<u>(6,848)</u>
Disbursements				
Current:				
General Government	1,800	1,800	1,801	(\$1)
Public Safety	35,699	45,699	35,005	\$10,694
<i>Total Disbursements</i>	<u>37,499</u>	<u>47,499</u>	<u>36,806</u>	<u>10,693</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>78,192</u>	<u>68,192</u>	<u>72,037</u>	<u>3,845</u>
 <i>Net Change in Fund Balance</i>	 78,192	 68,192	 72,037	 \$3,845
<i>Fund Balance Beginning of Year</i>	<u>161,130</u>	<u>161,130</u>	<u>161,130</u>	
<i>Fund Balance End of Year</i>	<u><u>\$239,322</u></u>	<u><u>\$229,322</u></u>	<u><u>\$233,167</u></u>	<u><u>\$3,845</u></u>

See accompanying notes to the basic financial statements.

PERRY TOWNSHIP, COLUMBIANA COUNTY

Statement of Net Assets - Cash Basis

Fiduciary Funds

December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,845
<i>Total Assets</i>	<u>\$12,845</u>
Net Assets	
Restricted for:	
Other Purposes	12,845
<i>Total Net Assets</i>	<u>\$12,845</u>

See accompanying notes to the basic financial statements.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Perry Township, Columbiana County, Ohio (the Township), is a body politic and corporate established in 1806 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 Clerk.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. 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, and cemetery maintenance. The Township contracts with the Perry Township Volunteer Fire Department for fire protection. Police protection is provided by the Perry Township Police Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

C. Public Entity Risk Pool

The Township participates in one public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA)

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

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 which 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, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township had no business type activities.

The statement of net assets presents the cash balances of the governmental type activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental type 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. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are 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 type activity is self-financing on a cash basis or draws from the Township's general receipts.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 fund 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

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 divided into three categories: governmental, proprietary and fiduciary. The Township has no proprietary funds.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Road and Bridge Fund, the Police District Fund and the Fire 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 Road and Bridge Fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges. The Police District Fund receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing police protection for the residents of the Township. The Fire Department Fund receipts are generated from a restricted Township tax levy and are only to be utilized to assist in providing fire protection for the residents of the Township.

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

Proprietary Funds

The Township classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Township had no proprietary funds.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no trust fund accounts. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments.

The Township's agency fund accounts for the collection of deposits for culverts in new building construction within the Township. The deposits are refunded after the culverts pass zoning inspection.

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 expenses and liabilities) are not recorded in these financial statements.

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 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 Clerk. 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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

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 Investments

Township records identify the purchase of specific investments by specific funds.

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”.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. 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 negative receipts, respectively.

During 2005, the Township invested in money market funds. The Township’s money market fund investment is recorded at the amount reported by Chase Bank and Home Savings & Loan 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 \$12,613.

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. Restricted assets represent monies received through levies for police and fire protection, equipment purchases for the police and fire departments, and for road and bridge construction, repairs and maintenance. Fuel excise and motor vehicle license tax monies are restricted for constructing, maintaining, and repairing Township roads.

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
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. 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. The Township had no debt as of December 31, 2005.

M. 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. Net assets restricted for other purposes include resources restricted for culvert deposits. Other restricted net assets represent monies received through levies for police and fire protection, equipment purchases for the police and fire departments, and for road and bridge construction, repairs and maintenance. Fuel excise and motor vehicle license tax monies are restricted for constructing, maintaining, and repairing Township roads.

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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

N. 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. Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts. The Township has no business type activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has 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 – 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. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund, Road and Bridge fund, Police District fund and Fire fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$11,882.

Note 5 – 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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 5 – Deposits and Investments (Continued)

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. 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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 5 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,526,029 of the Township's bank balance of \$1,626,029 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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 Township 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.

Note 6 – 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 2005 became a lien on December 31, 2004, 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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$65.65 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	\$65,957,580
Agricultural	2,417,370
Commercial/Industrial/Mineral	9,261,990
Tangible Personal Property	
Business	4,695,740
Public Utility	4,575,090
Total Assessed Value	<u>\$86,907,770</u>

Note 7 – Risk Management

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

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

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 7 – Risk Management (Continued)

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

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	<u>(12,344,576)</u>
Retained earnings	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$9,177,796
Liabilities	<u>(1,406,031)</u>
Retained earnings	<u>\$7,771,765</u>

At December 31, 2005, 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. 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 \$34,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 7 – Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2003	\$16,777
2004	\$17,207
2005	\$16,448

After completing one year of membership, 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 contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plan

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. 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. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 8 – Defined Benefit Pension Plan (continued)

Ohio Public Employees Retirement System (continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 was \$58,534. The full amount has been contributed for 2005.

Note 9 - Postemployment Benefits

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 (16.7 percent for public safety and law enforcement); 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits was \$45,137. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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.

Perry Township
Columbiana County

Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 10 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:

Police District Fund	<u>\$22,500</u>
Total Transfers from the General Fund	<u>\$22,500</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made to cover police department needs until the appropriate funds were received into the account.

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Mary Taylor, CPA

Auditor of State

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

Perry Township
Columbiana County
P.O. Box 795
Salem, Ohio 44460

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, Columbiana 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 August 14, 2007 wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 14, 2007, we reported other matters involving internal control over financial reporting we did not deem a reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Board of Trustees. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA

August 14, 2007



Mary Taylor, CPA
Auditor of State

PERRY TOWNSHIP

COLUMBIANA 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
OCTOBER 18, 2007**