



**Auditor of State  
Betty Montgomery**



PERKINS TOWNSHIP  
ERIE COUNTY

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**Auditor of State  
Betty Montgomery**

Perkins Township  
Erie County  
5420 Milan Road  
Sandusky, Ohio 44870-5890

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

September 23, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Perkins Township  
Erie County  
5420 Milan Road  
Sandusky, Ohio 44870-5890

To the Board of Trustees:

We have audited the accompanying financial statements of Perkins Township, Erie County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits 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 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Perkins Township, Erie County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 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 have also issued our report dated September 23, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



**Betty Montgomery**  
Auditor of State

September 23, 2005



**PERKINS TOWNSHIP  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
<b>Cash Receipts:</b>						
Local Taxes	\$2,128,859	\$1,785,445				\$3,914,304
Intergovernmental	1,370,906	479,527				1,850,433
Special Assessments	14,858					14,858
Charges for Services		466,585				466,585
Licenses, Permits, and Fees	248,388	194,486				442,874
Fines, Forfeitures, and Penalties	29,607	1,013				30,620
Earnings on Investments	18,065	127			\$4	18,196
Other Revenue	86,066	49,752				135,818
<b>Total Cash Receipts</b>	<b>3,896,749</b>	<b>2,976,935</b>			<b>4</b>	<b>6,873,688</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	690,539	231,040				921,579
Public Safety	2,257,773	2,006,965				4,264,738
Public Works	3,849	848,262				852,111
Health		17,082				17,082
Human Services	45,217					45,217
Debt Service:						
Redemption of Principal		69,824	\$1,070,000			1,139,824
Interest and Fiscal Charges		8,661	375			9,036
Capital Outlay		147,825	28,454			176,279
<b>Total Cash Disbursements</b>	<b>2,997,378</b>	<b>3,329,659</b>	<b>1,098,829</b>			<b>7,425,866</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>899,371</b>	<b>(352,724)</b>	<b>(1,098,829)</b>		<b>4</b>	<b>(552,178)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Other Proceeds from Sale of Public Debt		103,434	1,070,000			1,173,434
Transfers-In		799,045		\$37,200		836,245
Advances-In	70,500	30,000				100,500
Transfers-Out	(649,908)	(186,337)				(836,245)
Advances-Out	(30,000)	(70,500)				(100,500)
Other Uses	(443)					(443)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(609,851)</b>	<b>675,642</b>	<b>1,070,000</b>	<b>37,200</b>		<b>1,172,991</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	289,520	322,918	(28,829)	37,200	4	620,813
Fund Cash Balances, January 1	465,795	460,228	111,540	4,142	1,550	1,043,255
<b>Fund Cash Balances, December 31</b>	<b>\$755,315</b>	<b>\$783,146</b>	<b>\$82,711</b>	<b>\$41,342</b>	<b>\$1,554</b>	<b>\$1,664,068</b>
Reserve for Encumbrances, December 31	\$6,999	\$9,457				\$16,456

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

**PERKINS TOWNSHIP  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Funds	
<b>Cash Receipts:</b>						
Local Taxes	\$2,110,393	\$1,587,533				\$3,697,926
Intergovernmental	850,891	262,794		\$137,456		1,251,141
Special Assessments	12,859					12,859
Charges for Services		149,277				149,277
Licenses, Permits, and Fees	246,530	196,768				443,298
Fines, Forfeitures, and Penalties	16,766					16,766
Earnings on Investments	20,155	306				20,461
Other Revenue	82,531	48,110	\$67			130,708
<b>Total Cash Receipts</b>	<b>3,340,125</b>	<b>2,244,788</b>	<b>67</b>	<b>137,456</b>		<b>5,722,436</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	1,547,006	147,814			\$91	1,694,911
Public Safety	2,262,535	1,979,022				4,241,557
Public Works	3,117	722,633				725,750
Health		15,966				15,966
Conservation - Recreation	54,606					54,606
Debt Service:						
Redemption of Principal		51,220				51,220
Capital Outlay		292,655	888,534	233,570		1,414,759
<b>Total Cash Disbursements</b>	<b>3,867,264</b>	<b>3,209,310</b>	<b>888,534</b>	<b>233,570</b>	<b>91</b>	<b>8,198,769</b>
Total Receipts Over/(Under) Disbursements	(527,139)	(964,522)	(888,467)	(96,114)	(91)	(2,476,333)
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds from Sale of Public Debt:						
Sale of Bonds			1,000,000			1,000,000
Other Proceeds from Sale of Public Debt		233,947				233,947
Transfers-In		579,087		100,000		679,087
Advances-In	610,954	467,046				1,078,000
Transfers-Out	(679,087)					(679,087)
Advances-Out	(467,046)	(610,954)				(1,078,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(535,179)</b>	<b>669,126</b>	<b>1,000,000</b>	<b>100,000</b>		<b>1,233,947</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,062,318)	(295,396)	111,533	3,886	(91)	(1,242,386)
Fund Cash Balances, January 1	1,528,113	755,624	7	256	1,641	2,285,641
<b>Fund Cash Balances, December 31</b>	<b>\$465,795</b>	<b>\$460,228</b>	<b>\$111,540</b>	<b>\$4,142</b>	<b>\$1,550</b>	<b>\$1,043,255</b>
Reserve for Encumbrances, December 31	\$65,299	\$110,062				\$175,361

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

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Perkins Township, Erie County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, including park operations (leisure time activities) road and bridge maintenance, cemetery maintenance, police protection, fire protection and emergency medical services

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or disbursements investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue fund:

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Fire Special Levy Fund - This fund receives property tax money which is used for providing fire protection services.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund – This fund receives proceeds from State Issue II monies which are being used for capital improvements.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary fund:

Commercial Building Permit Fund – This agency fund receives 3 percent of all commercial building permits which is remitted to the State of Ohio.

**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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$104,208	\$459,167
Certificates of deposit	192,000	192,000
Total deposits	296,208	651,167
STAR Ohio	1,342,810	165,182
Money Market Mutual Funds	25,050	126,549
Mutual Funds		100,357
Total investments	1,367,860	392,088
Total deposits and investments	\$1,664,068	\$1,043,255

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments are held in book entry form by the financial institution's trust department in the Township's name. The financial institution maintains records identifying the Township as owner of these securities. Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,616,638	\$3,896,749	\$280,111
Special Revenue	2,595,390	3,879,414	1,284,024
Debt Service		1,070,000	1,070,000
Capital Projects	225,000	37,200	(187,800)
Fiduciary	2,077	4	(2,073)
Total	<u>\$6,439,105</u>	<u>\$8,883,367</u>	<u>\$2,444,262</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,138,424	\$3,654,728	\$483,696
Special Revenue	3,414,285	3,525,453	(111,168)
Debt Service	111,540	1,098,829	(987,289)
Capital Projects	229,052		229,052
Fiduciary			0
Total	<u>\$7,893,301</u>	<u>\$8,279,010</u>	<u>(\$385,709)</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,497,694	\$3,340,125	(\$157,569)
Special Revenue	2,640,052	3,057,822	417,770
Debt Service	1,000,000	1,000,067	67
Capital Projects		237,456	237,456
Fiduciary	2,016		(2,016)
Total	<u>\$7,139,762</u>	<u>\$7,635,470</u>	<u>\$495,708</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,098,913	\$4,611,650	(\$512,737)
Special Revenue	3,667,077	3,319,372	347,705
Debt Service	901,979	888,534	13,445
Capital Projects	137,457	233,570	(96,113)
Fiduciary	2,023	91	1,932
Total	<u>\$8,807,449</u>	<u>\$9,053,217</u>	<u>(\$245,768)</u>

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

The Township did not properly limit budgetary expenditures to amounts appropriated as required by the Ohio Revised Code. The Township did not properly limit appropriations to certified resources as required by the Ohio Revised Code.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Township Association Lease Purchase Agreement	\$1,070,000	2.00% - 5.50%
Lease/Purchase - Vactor	\$140,168	4.74%
Lease/Purchase - Tymco	76,169	3.65%
Total	<u>\$1,286,337</u>	

The Township entered into a \$1,070,000 lease/purchase agreement with Ohio Township Association Leasing in accordance with § 505.267 of the Ohio Revised Code. This agreement was to refinance a bond anticipation note. The original note was issued to purchase land for future construction of a new Township complex and a new Fire Station. The Township will pay the Bank of New York semi-annual rent payments for 20 years, starting in May 2005 and ending with the final payment on November 15, 2024, with a variable annual interest rate. As stated in the lease/purchase agreement, the Township can fully execute the terms of the agreement at any time by paying off remaining payments in a lump sum. Upon fully executing the terms of the lease/purchase agreement the Township will assume ownership of the land.

The Township also entered into two municipal lease/purchase agreements for the purchase of maintenance equipment. The agreement with TYMCO International, for \$103,434, was to purchase a Regenerative Air Street Sweeper. The agreement with Vactor Manufacturing, for \$235,747, was to purchase a Vactor 2100 Sewer Cleaner.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Ohio Township Association	Vactor	Tymco
	Lease/Purchase	Lease/Purchase	Lease/Purchase
2005	\$87,913	\$51,220	\$27,265
2006	87,213	51,220	27,265
2007	86,303	51,220	27,265
2008	90,165		
2009	88,485		
2010 - 2014	439,480		
2015 - 2019	438,600		
2020 - 2024	443,375		
Total	<u>\$1,761,534</u>	<u>\$153,660</u>	<u>\$81,795</u>

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. Police officers contributed 10.1 percent of their wages. The Township contributed an amount equal to 16.7 percent of their wages to OPERS. Other members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.



**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

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**Auditor of State  
Betty Montgomery**

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

Perkins Township  
Erie County  
5420 Milan Road  
Sandusky, Ohio 44870-5890

To the Board of Trustees:

We have audited the financial statements of Perkins Township (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 23, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion 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 September 23, 2005, we reported other matters involving internal control over financial reporting we did not deem 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated September 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 23, 2005

**PERKINS TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds' budgetary expenditures exceeded amounts appropriated in fiscal years 2004 and 2003:

<u>Fiscal Year 2004</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
EMS Fund	\$ 590,523	\$ 634,884	\$ (44,361)
Permissive Motor Vehicle License	341,453	415,332	(73,879)
Law Enforcement Trust Fund	-	275	(275)
COPS Fast	-	101,698	(101,698)
Building Department - Commercial	-	170,730	(170,730)
Building Department - Residential	37,000	54,312	(17,312)
MDT Grant	15,000	28,247	(13,247)
Police Special Projects	4,400	10,838	(6,438)
Bond Retirement	111,540	1,098,829	(987,289)
<u>Fiscal Year 2003</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 4,098,913	\$ 4,611,650	\$ (512,737)
Gasoline Tax	89,322	93,029	(3,707)
Road and Bridge	557,192	744,053	(186,861)
Law Enforcement Trust Fund	-	90	(90)
Lighting Fund	25,000	43,801	(18,801)
Building Department - Commercial	104,579	118,360	(13,781)
OPWC Fund	137,457	233,570	(96,113)

Management was advised that the failure to have adequate appropriations in place at the time the expenditures are being made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations, if necessary.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.39 states in part that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeals, the board of tax appeals. The following funds' appropriations exceeded estimated resources in fiscal years 2004 and 2003:

<u>Fiscal Year 2004</u>	<u>Total Certified Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
General Fund	\$ 4,017,134	\$ 4,073,125	\$ (55,991)
Motor Vehicle License Fund	(36,221)	89,075	(125,296)
Gasoline Tax Fund	45,648	89,625	(43,977)
Road and Bridge Fund	288,106	482,615	(194,509)
Cemetery	10,397	19,060	(8,663)
Fire Fund	1,578,377	1,578,805	(428)
Permissive Motor Vehicle License	26,209	283,909	(257,700)
Law Enforcement and Education	10,980	16,488	(5,508)
EMS Grant	-	2,500	(2,500)
MDT Grant	-	15,000	(15,000)
Airway Grant	-	2,124	(2,124)
Police Special Projects	-	4,400	(4,400)
Camp PRIDE	-	10,437	(10,437)
Simulator Grant	-	4,000	(4,000)

<u>Fiscal Year 2003</u>	<u>Total Certified Resources</u>	<u>Total Appropriations</u>	<u>Variance</u>
Motor Vehicle License Fund	\$ 55,153	\$ 78,550	\$ (23,397)
Gasoline Tax Fund	64,849	89,322	(24,473)
Road and Bridge	417,451	557,192	(139,741)
Cemetery	17,715	25,075	(7,360)
EMS Fund	335,201	350,457	(15,256)
Fire Fund	1,784,253	2,095,086	(310,833)
Permissive Votor Vehicle License	92,759	179,188	(86,429)
Building Department - Residential	4,241	15,090	(10,849)
OPWC Fund	256	137,457	(137,201)

Management was advised that the failure to limit appropriations to estimated resources could result in expenditures exceeding available resources, resulting in deficit spending practices.

Actual Receipts were sufficient to permit the Township to obtain an amended certificate of estimated resources and supplemental appropriations. The failure to limit amounts appropriated to estimated resources could result in deficit fund balances.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Ohio Revised Code § 5705.41(B) – not to expend money prior to being appropriated	No	Not corrected. Repeated as finding 2004-001.
2002-002	Ohio Revised Code § 5705.39 – appropriations not to exceed estimated revenue	No	Not corrected. Repeated as finding 2004-002.







**Auditor of State  
Betty Montgomery**

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**PERKINS TOWNSHIP**

**ERIE 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 13, 2005**