



Dave Yost • Auditor of State

**PERKINS TOWNSHIP
ERIE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Perkins Township
Erie County
2610 Columbus Avenue
Sandusky, Ohio 44870

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Perkins Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Perkins Township, Erie County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2015, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 1, 2015

**PERKINS TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$1,352,073	\$4,043,437			\$5,395,510
Charges for Services		633,205			633,205
Licenses, Permits and Fees	491,022	26,180			517,202
Fines and Forfeitures		50,763			50,763
Intergovernmental	229,453	875,604		\$8,848	1,113,905
Special Assessments		40,729			40,729
Earnings on Investments	8,501	86			8,587
Miscellaneous	25,873	48,740		30,000	104,613
<i>Total Cash Receipts</i>	<u>2,106,922</u>	<u>5,718,744</u>		<u>38,848</u>	<u>7,864,514</u>
Cash Disbursements					
Current:					
General Government	652,065			2,269	654,334
Public Safety	73,892	4,604,578			4,678,470
Public Works	12,349	778,235			790,584
Health		20,443			20,443
Conservation-Recreation	37,285	89,277			126,562
Capital Outlay		232,240	\$747	107,771	340,758
Debt Service:					
Principal Retirement			50,000		50,000
Interest and Fiscal Charges		29,812	37,963		67,775
<i>Total Cash Disbursements</i>	<u>775,591</u>	<u>5,754,585</u>	<u>88,710</u>	<u>110,040</u>	<u>6,728,926</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,331,331</u>	<u>(35,841)</u>	<u>(88,710)</u>	<u>(71,192)</u>	<u>1,135,588</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds	69,850				69,850
Sale of Capital Assets		15,835		38,257	54,092
Transfers In		666,000	88,000	350,000	1,104,000
Transfers Out	(1,104,000)				(1,104,000)
Advances In		55,000			55,000
Advances Out	(55,000)				(55,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,089,150)</u>	<u>736,835</u>	<u>88,000</u>	<u>388,257</u>	<u>123,942</u>
<i>Net Change in Fund Cash Balances</i>	242,181	700,994	(710)	317,065	1,259,530
<i>Fund Cash Balances, January 1</i>	<u>1,514,683</u>	<u>1,540,439</u>	<u>2,138</u>	<u>28,327</u>	<u>3,085,587</u>
Fund Cash Balances, December 31					
Restricted	73,626	1,886,724		269,624	2,229,974
Committed		354,709		75,768	430,477
Assigned			1,428		1,428
Unassigned	1,683,238				1,683,238
<i>Fund Cash Balances, December 31</i>	<u>\$1,756,864</u>	<u>\$2,241,433</u>	<u>\$1,428</u>	<u>\$345,392</u>	<u>\$4,345,117</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Licenses, Permits and Fees	\$3,562		\$3,562
Miscellaneous	34,394		34,394
<i>Total Operating Cash Receipts</i>	<u>37,956</u>		<u>37,956</u>
Operating Cash Disbursements			
Other	3,453		3,453
<i>Net Change in Fund Cash Balances</i>	34,503		34,503
<i>Fund Cash Balances, January 1</i>	363	\$733	1,096
<i>Fund Cash Balances, December 31</i>	<u>\$34,866</u>	<u>\$733</u>	<u>\$35,599</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Local Taxes	\$2,218,715	\$2,093,348			\$4,312,063
Charges for Services	114,208	544,666			658,874
Licenses, Permits and Fees	466,677	11,963			478,640
Fines and Forfeitures	30,912	14,433			45,345
Intergovernmental	661,539	391,479		\$5,415	1,058,433
Special Assessments		34,779			34,779
Earnings on Investments	7,113	109		32	7,254
Miscellaneous	57,303	37,109			94,412
<i>Total Cash Receipts</i>	<u>3,556,467</u>	<u>3,127,886</u>		<u>5,447</u>	<u>6,689,800</u>
Cash Disbursements					
Current:					
General Government	734,731			32,248	766,979
Public Safety	1,927,008	2,466,362		9,328	4,402,698
Public Works	10,276	609,148			619,424
Health		17,228			17,228
Conservation-Recreation	19,005	8,085			27,090
Other	50				50
Capital Outlay			\$750	782,343	783,093
Debt Service:					
Principal Retirement			45,000		45,000
Interest and Fiscal Charges		14,906	40,100		55,006
<i>Total Cash Disbursements</i>	<u>2,691,070</u>	<u>3,115,729</u>	<u>85,850</u>	<u>823,919</u>	<u>6,716,568</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>865,397</u>	<u>12,157</u>	<u>(85,850)</u>	<u>(818,472)</u>	<u>(26,768)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	5,268			24,963	30,231
Transfers In		87,906	87,988	55,000	230,894
Transfers Out	(230,894)				(230,894)
Advances In		17,000			17,000
Advances Out	(17,000)				(17,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(242,626)</u>	<u>104,906</u>	<u>87,988</u>	<u>79,963</u>	<u>30,231</u>
<i>Net Change in Fund Cash Balances</i>	622,771	117,063	2,138	(738,509)	3,463
<i>Fund Cash Balances, January 1</i>	<u>891,912</u>	<u>1,423,376</u>		<u>766,836</u>	<u>3,082,124</u>
Fund Cash Balances, December 31					
Restricted	84,742	1,540,439		3	1,625,184
Committed				28,324	28,324
Assigned			2,138		2,138
Unassigned	1,429,941				1,429,941
<i>Fund Cash Balances, December 31</i>	<u>\$1,514,683</u>	<u>\$1,540,439</u>	<u>\$2,138</u>	<u>\$28,327</u>	<u>\$3,085,587</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Licenses, Permits and Fees	\$3,396		\$3,396
Earnings on Investments (trust funds only)		\$2	2
<i>Total Operating Cash Receipts</i>	<u>3,396</u>	<u>2</u>	<u>3,398</u>
Operating Cash Disbursements			
Other	<u>3,342</u>		<u>3,342</u>
<i>Net Change in Fund Cash Balances</i>	54	2	56
<i>Fund Cash Balances, January 1</i>	<u>309</u>	<u>731</u>	<u>1,040</u>
<i>Fund Cash Balances, December 31</i>	<u>\$363</u>	<u>\$733</u>	<u>\$1,096</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, parks and recreation activities, police and fire protection, and emergency medical services.

The Township participates in one public entity risk pool and one jointly governed organization. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

Jointly Governed Organization:

Sand Hill Cemetery Association provides grounds maintenance, opening and closing of graves, and the sale of lots to its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

The Township values investments in STAR Ohio at STAR Ohio's shares price, which is the price the investment could be sold for on December 31.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Fire and Rescue Fund - This fund receives property tax money for the maintenance of fire apparatus, buildings, water, supplies, payment of firefighter/EMS/paramedics, and to operate emergency medical services.

Police Protection Fund - This fund receives property tax money for police protection services.

3. Debt Service Fund

This fund accounts for and reports financial resources that are assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service Fund - This fund accounts for resources the Township accumulates to pay lease-purchase obligations.

4. Capital Project Funds

These funds account for and report financial resources that are restricted or committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project Funds:

Capital Projects Fund – This fund received the proceeds from the sale of the Township Hall and accounts for financial activity related to the construction of the new Township Hall.

OPWC West Strub Road Fund – This fund receives proceeds from State Issue II monies and local matching funds to be used for Strub Road pavement improvements.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds

Fiduciary funds include Private Purpose Trust Funds and Agency Funds. Trust Funds 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's Private Purpose Trust Fund is for the benefit of Elizabeth Genofski.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's Agency Funds account for monies received from insurance companies and subsequently disbursed to property owners net of any costs incurred to repair, remove, or secure the building or other structure and building fees collected and remitted to the State.

E. Budgetary Process

The Ohio Revised Code requires each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or program level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$2,173,620	\$1,546,650
Certificates of deposit	598,784	566,664
STAR Plus	613,040	608,926
Other time deposits (savings accounts)	733	10,502
Cash on hand	250	250
Total deposits	<u>3,386,427</u>	<u>2,732,992</u>
STAR Ohio	<u>994,289</u>	<u>353,691</u>
Total deposits and investments	<u><u>\$4,380,716</u></u>	<u><u>\$3,086,683</u></u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,878,564	\$2,176,772	\$298,208
Special Revenue	6,306,366	6,455,579	149,213
Debt Service	88,000	88,000	
Capital Projects	1,192,600	427,105	(765,495)
Total	<u><u>\$9,465,530</u></u>	<u><u>\$9,147,456</u></u>	<u><u>(\$318,074)</u></u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,515,752	\$1,954,468	(\$438,716)
Special Revenue	7,557,321	5,976,525	1,580,796
Debt Service	88,715	88,710	5
Capital Projects	866,890	823,489	43,401
Total	<u><u>\$10,028,678</u></u>	<u><u>\$8,843,192</u></u>	<u><u>\$1,185,486</u></u>

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,589,342	\$3,561,735	(\$27,607)
Special Revenue	3,503,575	3,232,792	(270,783)
Debt Service	87,988	87,988	
Capital Projects	551,465	85,410	(466,055)
Trust		2	2
Total	\$7,732,370	\$6,967,927	(\$764,443)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,357,960	\$2,958,357	\$399,603
Special Revenue	4,611,759	3,161,158	1,450,601
Debt Service	87,238	85,850	1,388
Capital Projects	1,065,694	823,919	241,775
Total	\$9,122,651	\$7,029,284	\$2,093,367

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

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, 2014 was as follows:

	Principal	Interest Rate
Ohio Township Association Lease-Purchase	\$660,000	2.00% - 5.50%
Leaf Truck Lease-Purchase	98,335	2.99%
Citizens Bank Promissory Note	70,000	3.25%
Total	\$828,335	

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

The Township entered into a \$1,070,000 lease-purchase agreement with Ohio Township Association (OTA) 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 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 entered into a \$139,500 lease-purchase agreement with TCF Equipment Finance, Inc. in accordance with § 505.267 of the Ohio Revised Code. This agreement was to finance the purchase of a leaf truck. The Township will pay TCF Equipment Finance, Inc. semi-annual rent payments for five years, starting in October 2013 and ending with the final payment in April 2018, with an interest rate of 2.99%. 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 accordance with the lump sum purchase option price. Upon fully executing the terms of the lease-purchase agreement the Township has the option to purchase the truck for \$1.

The Township took out a promissory note to finance the purchase of a mobile video system for the police department. The note will be paid in quarterly installments of \$6,151 including interest.

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

Year ending December 31:	OTA Lease- Purchase Agreement	Leaf Truck Lease- Purchase Agreement	Citizen Bank Promissory Note
2015	\$86,338	\$29,812	\$24,602
2016	88,712	29,812	24,602
2017	85,826	29,812	24,603
2018	87,938	14,906	
2019	89,788		
2020-2024	443,378		
Total	\$881,980	\$104,342	\$73,807

6. RETIREMENT SYSTEMS

A. Police and Fire Pension Fund

The Township's full-time certified fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2014, OP&F participants contributed 10.75% of their wages through June 30, 2014, while participants contributed 11.5% beginning July 1, 2014. For 2013, OP&F participants contributed 10% of their wages through June 30, 2013, while participants contributed 10.75% beginning July 1, 2013. For 2014 and 2013, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2014.

B. Ohio Public Employees Retirement System

The Township's full-time certified police officers belong to the Ohio Public Employees Retirement System – Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System – General (OPERS-G). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS-LE members contributed 13 and 12.6%, respectively, of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. For 2014 and 2013, OPERS-G members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

C. Social Security

Effective May 4, 1992, all part-time Fire Fighters hired after this date contribute to Social Security. Other non-pensionable employees of the Township also contribute to Social Security. The Township's liability is 6.2% of wages paid.

7. RISK MANAGEMENT

Risk Pool Membership

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$71,000.

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.

<u>Contributions to OTARMA</u>		
<u>2014</u>	<u>2013</u>	<u>2012</u>
\$126,529	\$128,467	\$116,773

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to 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 occurred or was reported prior to the withdrawal.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. JOINTLY GOVERNED ORGANIZATION

Sand Hill Cemetery Association

Perkins, Groton, Oxford, and Margaretta Township each appoint a member to the Board of Trustees of Sand Hill Cemetery Association (the Cemetery Association). The Cemetery Association provides grounds maintenance, opening and closing of graves, and the sale of lots. The Township contributed \$850 to the Cemetery Association during 2014 and 2013.

10. INTERFUND ACTIVITY

During 2014 the following transfers were made:

Fund Type / Fund	Transfer In	Transfer Out
General		\$ 1,104,000
Special Revenue:		
Road and Bridge	\$ 435,000	
Cemetery	30,000	
Police Protection	101,000	
Permissive MVL	25,000	
Park Development	75,000	
Debt Service:		
Debt Service	88,000	
Capital Project:		
OPWC West Strub Road	350,000	
Total	\$ 1,104,000	\$ 1,104,000

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. INTERFUND ACTIVITY (Continued)

During 2013 the following transfers were made:

Fund Type / Fund	Transfer In	Transfer Out
General		\$ 230,894
Special Revenue:		
Road and Bridge	\$ 87,906	
Debt Service:		
Debt Service	87,988	
Capital Project:		
Capital Projects	55,000	
Total	\$ 230,894	\$ 230,894

Transfers are used to (1) move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. MISCELLANEOUS RECEIPTS

In 2014, Capital Projects fund type Miscellaneous receipts consist of \$30,000 of in-kind contributions made on behalf of the Township by Firelands Regional Medical Center.

In 2014, Agency fund type Miscellaneous receipts consist of \$34,394 of proceeds received from insurance companies to be held in escrow for fire damages.

12. COMPLIANCE

Contrary to Ohio law, the Fiscal Officer posted proceeds from the sale of land to the incorrect fund.

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Dave Yost • Auditor of State

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

Perkins Township
Erie County
2610 Columbus Avenue
Sandusky, Ohio 44870

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Perkins Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 1, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 1, 2015

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness - Financial Reporting

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2014:

- Appropriations were decreased in the General Fund in the amount of \$816,948 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- The Road and Bridge Fund balance (\$313,465) and K9 Fund balance (\$14,646) were reclassified from restricted to committed in the Special Revenue fund type;
- The Debt Service Fund balance of \$1,428 was reclassified from restricted to assigned;
- Estimated Receipts were increased in the Capital Projects fund type in the amount of \$321,600 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Miscellaneous receipts in the amount of \$30,000 were improperly classified as sale of capital assets in the Capital Projects Fund;
- The Police Equipment Fund balance (\$15,066), Capital Projects Fund balance (\$60,443), and Capital Projects Paving Fund balance (\$259) were reclassified from restricted to committed in the Capital Projects fund type; and
- Miscellaneous receipts in the amount of \$34,394 were improperly classified as an extraordinary item in the Fire Department Escrow Fund.

We also identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2013:

- The Debt Service Fund balance of \$2,138 was reclassified from restricted to assigned; and
- The Police Equipment Fund balance (\$2,344), Capital Projects Fund balance (\$25,721), and Capital Projects Paving Fund balance (\$259) were reclassified from restricted to committed in the Capital Projects fund type.

Additionally, immaterial errors not requiring adjustment to the financial statements or notes to the financial statements were noted in the classification of certain receipts and disbursements, the posting of authorized appropriations and estimated receipts, the classification of fund balances, and the proper accounting for a capital lease transaction in amounts ranging from \$750 to \$139,500.

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2014-001
(Continued)**

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the Ohio Township Manual at the following web site address for guidance on the recording of transactions:

<https://ohioauditor.gov/publications/15OhioTownshipHandbook.pdf>

Officials' Response:

The Fiscal Officer will ensure proper classification and recording of transactions.

FINDING NUMBER 2014-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.10(F) provides that except as provided in divisions (G) and (H) of this section, if a permanent improvement of the subdivision is sold, the amount received from the sale shall be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements; provided that the proceeds from the sale of a public utility shall be paid into the sinking fund or bond retirement fund to the extent necessary to provide for the retirement of the outstanding indebtedness incurred in the construction or acquisition of such utility.

The Fiscal Officer incorrectly posted the proceeds from the sale of land to the Ohio Department of Transportation in the amount of \$25,535 as intergovernmental receipts in the General Fund. This receipt should have been classified as sale of capital assets in the Miscellaneous Capital Improvements Fund.

The accompanying financial statements and Township accounting records have been adjusted to reflect these changes.

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Township Handbook available from the following web address for guidance on the posting of transactions:

<https://ohioauditor.gov/publications/15OhioTownshipHandbook.pdf>

Officials' Response:

The Fiscal Officer will ensure proceeds from the sale of capital assets are recorded properly.

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness for the failure to accurately classify transactions and fund balances and improve monitoring of financial activity.	No	Not corrected. Repeated as Finding number 2014-001 in this report.

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Dave Yost • Auditor of State

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
JULY 14, 2015**