



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, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, 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, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 Perkins Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, 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

June 21, 2013

**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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$2,250,950	\$2,271,514			\$4,522,464
Charges for Services	145,286	633,743			779,029
Licenses, Permits and Fees	519,355	14,629			533,984
Fines and Forfeitures	44,526	17,138			61,664
Intergovernmental	1,078,358	404,889		\$234,932	1,718,179
Special Assessments		33,887			33,887
Earnings on Investments	16,644	130		11	16,785
Miscellaneous	43,684	17,846			61,530
<i>Total Cash Receipts</i>	<u>4,098,803</u>	<u>3,393,776</u>		<u>234,943</u>	<u>7,727,522</u>
Cash Disbursements					
Current:					
General Government	619,229			98,651	717,880
Public Safety	2,206,290	2,579,615		17,267	4,803,172
Public Works	10,424	785,343		8,810	804,577
Health		32,524			32,524
Conservation-Recreation	48,309	3,400			51,709
Capital Outlay			\$750	2,190,353	2,191,103
Debt Service:					
Principal Retirement			45,000		45,000
Interest and Fiscal Charges			42,238		42,238
<i>Total Cash Disbursements</i>	<u>2,884,252</u>	<u>3,400,882</u>	<u>87,988</u>	<u>2,315,081</u>	<u>8,688,203</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,214,551</u>	<u>(7,106)</u>	<u>(87,988)</u>	<u>(2,080,138)</u>	<u>(960,681)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	1,738	10,000		23,896	35,634
Transfers In		175,000	87,988	563,400	826,388
Transfers Out	(826,388)				(826,388)
Advances In		3,000			3,000
Advances Out	(3,000)				(3,000)
Other Financing Sources	762				762
Other Financing Uses	(313)				(313)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(827,201)</u>	<u>188,000</u>	<u>\$87,988</u>	<u>587,296</u>	<u>36,083</u>
<i>Net Change in Fund Cash Balances</i>	387,350	180,894		(1,492,842)	(924,598)
<i>Fund Cash Balances, January 1</i>	<u>504,562</u>	<u>1,242,482</u>		<u>2,259,678</u>	<u>4,006,722</u>
Fund Cash Balances, December 31					
Restricted	31,270	1,233,575		2,606	1,267,451
Committed		189,801		764,230	954,031
Assigned	64,391				64,391
Unassigned	796,251				796,251
<i>Fund Cash Balances, December 31</i>	<u>\$891,912</u>	<u>\$1,423,376</u>		<u>\$766,836</u>	<u>\$3,082,124</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, 2012**

	<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	\$5,197		\$5,197
Operating Cash Disbursements			
Other	5,192		5,192
<i>Net Change in Fund Cash Balances</i>	5		5
<i>Fund Cash Balances, January 1</i>	304	\$731	1,035
<i>Fund Cash Balances, December 31</i>	<u>\$309</u>	<u>\$731</u>	<u>\$1,040</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, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$2,108,250	\$2,116,689			\$4,224,939
Charges for Services	127,496	589,890			717,386
Licenses, Permits and Fees	432,374	12,934			445,308
Fines and Forfeitures	36,843	9,459			46,302
Intergovernmental	1,374,669	738,043		\$377,477	2,490,189
Special Assessments		33,668			33,668
Earnings on Investments	20,638	341			20,979
Miscellaneous	101,210	21,935			123,145
<i>Total Cash Receipts</i>	<u>4,201,480</u>	<u>3,522,959</u>		<u>377,477</u>	<u>8,101,916</u>
Cash Disbursements					
Current:					
General Government	786,885			136,479	923,364
Public Safety	2,247,687	2,637,982		13,840	4,899,509
Public Works	10,509	881,629		81,467	973,605
Health		28,977			28,977
Conservation-Recreation	50,804	17,152			67,956
Other				45,000	45,000
Capital Outlay	1,798	202,116	\$750	1,125,973	1,330,637
Debt Service:					
Principal Retirement			45,000		45,000
Interest and Fiscal Charges			44,375		44,375
<i>Total Cash Disbursements</i>	<u>3,097,683</u>	<u>3,767,856</u>	<u>90,125</u>	<u>1,402,759</u>	<u>8,358,423</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,103,797</u>	<u>(244,897)</u>	<u>(90,125)</u>	<u>(1,025,282)</u>	<u>(256,507)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	3,306	8,336		19,266	30,908
Transfers In		163,308	90,125	1,295,243	1,548,676
Transfers Out	(1,548,676)				(1,548,676)
Advances In		3,000			3,000
Advances Out	(3,000)				(3,000)
Other Financing Uses	(23)				(23)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,548,393)</u>	<u>174,644</u>	<u>\$90,125</u>	<u>1,314,509</u>	<u>30,885</u>
<i>Net Change in Fund Cash Balances</i>	<u>(444,596)</u>	<u>(70,253)</u>		<u>289,227</u>	<u>(225,622)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>949,158</u>	<u>1,312,735</u>		<u>1,970,451</u>	<u>4,232,344</u>
Fund Cash Balances, December 31					
Restricted	19,622	1,078,542		315,095	1,413,259
Committed	34,814	163,940		1,944,583	2,143,337
Assigned	1,225				1,225
Unassigned	448,901				448,901
<i>Fund Cash Balances, December 31</i>	<u>\$504,562</u>	<u>\$1,242,482</u>		<u>\$2,259,678</u>	<u>\$4,006,722</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, 2011**

	<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	\$3,113		\$3,113
Earnings on Investments (trust funds only)		\$1	1
<i>Total Operating Cash Receipts</i>	<u>3,113</u>	<u>1</u>	<u>3,114</u>
Operating Cash Disbursements			
Other	3,751		3,751
<i>Net Change in Fund Cash Balances</i>	(638)	1	(637)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>942</u>	<u>730</u>	<u>1,672</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$304</u></u>	<u><u>\$731</u></u>	<u><u>\$1,035</u></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, 2012 AND 2011**

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 road and bridge maintenance, cemetery maintenance, parks and recreation activities, police and fire protection, emergency medical services, and general government services.

The Township participates in one jointly governed organization and one public entity risk pool. Notes 8 and 10 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

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

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for 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 the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

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 certificates of deposit at cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31.

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:

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

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

3. 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, committed, or assigned 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:

Issue II Fund – This fund receives proceeds from State Issue II monies and local matching funds to be used for various road improvement projects within the Township.

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.

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 fund accounts for building fees collected and remitted to the State.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, program 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.

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 2012 and 2011 budgetary activity appears in Note 4.

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:

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.

PERKINS TOWNSHIP
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

2. **CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY**

For 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND EQUITY (Continued)

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Restated Fund Balance at December 31, 2011
General	\$790,666	\$158,492	\$949,158
Special Revenue	1,471,957	(159,222)	1,312,735
Private Purpose Trust		730	730

3. 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:

	2012	2011
Demand deposits	\$1,554,782	\$846,107
Certificates of deposit	847,000	2,311,630
Other time deposits (savings and NOW accounts)	732	109,041
Total deposits	<u>2,402,514</u>	<u>3,266,778</u>
STAR Ohio	<u>680,650</u>	<u>740,979</u>
Total deposits and investments	<u><u>\$3,083,164</u></u>	<u><u>\$4,007,757</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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$4,097,168	\$4,101,303	\$4,135
Special Revenue	3,399,117	3,581,776	182,659
Debt Service	87,988	87,988	
Capital Projects	1,021,368	822,239	(199,129)
Total	<u><u>\$8,605,641</u></u>	<u><u>\$8,593,306</u></u>	<u><u>(\$12,335)</u></u>

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,223,622	\$3,777,355	\$446,267
Special Revenue	4,617,762	3,420,833	1,196,929
Debt Service	87,988	87,988	
Capital Projects	3,078,936	2,816,522	262,414
Total	<u>\$12,008,308</u>	<u>\$10,102,698</u>	<u>\$1,905,610</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,766,865	\$4,204,786	(\$562,079)
Special Revenue	3,107,006	3,697,603	590,597
Debt Service	90,125	90,125	
Capital Projects	1,861,658	1,691,986	(169,672)
Trust		1	1
Total	<u>\$9,825,654</u>	<u>\$9,684,501</u>	<u>(\$141,153)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,156,749	\$4,657,687	\$499,062
Special Revenue	4,835,242	3,808,454	1,026,788
Debt Service	90,125	90,125	
Capital Projects	3,242,613	1,951,381	1,291,232
Total	<u>\$13,324,729</u>	<u>\$10,507,647</u>	<u>\$2,817,082</u>

5. 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.

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.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Township Association Lease-Purchase Agreement	\$755,000	2.00% - 5.50%

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 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.

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

	Ohio Township Association Lease- Purchase Agreement
Year ending December 31:	
2013	\$85,850
2014	88,712
2015	86,338
2016	88,712
2017	85,826
2018-2022	440,852
2023-2024	180,252
Total	\$1,056,542

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). 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 (OPERS-G). 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 2012 and 2011, OP&F participants contributed 10% of their wages and the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2012 and 2011, OPERS-LE members contributed 11.60 and 12.1%, respectively, of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2012 and 2011, 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, 2012.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT

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

The Township insures against injuries to employees through the Ohio Bureau of 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.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$69,000.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

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>2012</u>	<u>2011</u>
\$116,773	\$112,801

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.

9. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters 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.

10. 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 provides grounds maintenance, opening and closing of graves, and the sale of lots. The Township contributed \$850 to the Cemetery Association for 2012 and 2011.

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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, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 21, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and the Township adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

June 21, 2013

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

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, 2011:

- EMS charges for services in the amount of \$579,904 in the Fire and Rescue fund were improperly classified as licenses, permits, and fees receipts;
- An other cash disbursement in the amount of \$45,000 in the Capital Projects fund was improperly classified as a transfer-out;
- An other operating disbursement in the amount of \$838 in the Agency fund was improperly classified as a transfer-out; and
- The Building Department Residential fund balance of \$60,378 was reclassified from Restricted to Unassigned (\$59,153) and Assigned (\$1,225) due to the implementation of GASB 54 and the Building Department Residential fund being reclassified to the General fund.

We also identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2012:

- The Building Department Residential fund balance of \$51,300 was reclassified from Restricted to Unassigned due to the implementation of GASB 54 and the Building Department Residential fund being reclassified to the General fund;
- The Building Department Commercial fund balance of \$75,011 was reclassified from Restricted to Unassigned (\$74,022) and Assigned (\$989) due to the implementation of GASB 54 and the Building Department Commercial fund being reclassified to the General fund;
- Outstanding encumbrances in the General fund balance in the amount of \$63,402 were reclassified from Unassigned to Assigned;
- The Park Development fund and Capital Projects fund balances in the amounts of \$158,647 and \$764,230, respectively, were reclassified from Restricted to Committed;
- EMS charges for services in the amount of \$127,475 in the Fire and Rescue fund were improperly classified as licenses, permits, and fees receipts; and
- Estimated Receipts were decreased in the Capital Projects fund type in the amount of \$81,132 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts.

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 2012-001
(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. Also, the Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions: <http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202013.pdf>

Officials' Response:

The classification of EMS charges in the Fire and Rescue fund was corrected in May 2012.

The Fiscal Officer will continue to review the Ohio Township Handbook while coding receipts.



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 9, 2013**