



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 of the cash balances, receipts and disbursements by fund type, and related notes of Perkins Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

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 such 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 opinions.

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

As described in Note 2 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, 2016 and 2015, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Perkins Township, Erie County, Ohio as of December 31, 2016 and 2015, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018, 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

January 4, 2018

Perkins Township

Erie County

Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|--------------------|------------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$1,404,764 | \$5,086,330 | | | \$6,491,094 |
| Charges for Services | 25,432 | 676,951 | | | 702,383 |
| Licenses, Permits and Fees | 398,492 | 50,055 | | | 448,547 |
| Fines and Forfeitures | | 57,898 | | | 57,898 |
| Intergovernmental | 292,437 | 686,164 | | \$70,263 | 1,048,864 |
| Special Assessments | | 32,006 | | | 32,006 |
| Earnings on Investments | 25,834 | 1,045 | | 3,445 | 30,324 |
| Miscellaneous | 93,613 | 98,856 | | | 192,469 |
| <i>Total Cash Receipts</i> | <u>2,240,572</u> | <u>6,689,305</u> | | <u>73,708</u> | <u>9,003,585</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 912,073 | | | | 912,073 |
| Public Safety | | 5,170,806 | | | 5,170,806 |
| Public Works | 11,019 | 1,236,876 | | 38,587 | 1,286,482 |
| Health | | 24,124 | | | 24,124 |
| Conservation-Recreation | 127,766 | 29,209 | | | 156,975 |
| Capital Outlay | | 190,385 | \$248 | 771,383 | 962,016 |
| Debt Service: | | | | | |
| Principal Retirement | | 92,678 | 394,725 | 13,750 | 501,153 |
| Interest and Fiscal Charges | | 4,041 | 61,644 | | 65,685 |
| <i>Total Cash Disbursements</i> | <u>1,050,858</u> | <u>6,748,119</u> | <u>456,617</u> | <u>823,720</u> | <u>9,079,314</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,189,714</u> | <u>(58,814)</u> | <u>(456,617)</u> | <u>(750,012)</u> | <u>(75,729)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Capital Assets | | 4,399 | | 28,640 | 33,039 |
| Transfers In | | 531,448 | 452,644 | 27,931 | 1,012,023 |
| Transfers Out | (625,701) | (386,322) | | | (1,012,023) |
| Advances In | 59,000 | 19,500 | | 500 | 79,000 |
| Advances Out | (19,000) | (59,500) | | (500) | (79,000) |
| Other Financing Sources | | 62,290 | | | 62,290 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(585,701)</u> | <u>171,815</u> | <u>452,644</u> | <u>56,571</u> | <u>95,329</u> |
| <i>Net Changes in Fund Cash Balances</i> | 604,013 | 113,001 | (3,973) | (693,441) | 19,600 |
| <i>Fund Cash Balances, January 1</i> | <u>2,567,592</u> | <u>2,182,032</u> | <u>6,464</u> | <u>1,331,630</u> | <u>6,087,718</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | | 2,196,913 | | 610,386 | 2,807,299 |
| Committed | 6,003 | 98,120 | 2,491 | 27,803 | 134,417 |
| Assigned | 1,479,991 | | | | 1,479,991 |
| Unassigned | 1,685,611 | | | | 1,685,611 |
| <i>Fund Cash Balances, December 31</i> | <u>\$3,171,605</u> | <u>\$2,295,033</u> | <u>\$2,491</u> | <u>\$638,189</u> | <u>\$6,107,318</u> |

See accompanying notes to the financial statements

Perkins Township

Erie County

*Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)*

All Fiduciary Fund Types

For the Year Ended December 31, 2016

| | <u>Fiduciary Fund Types</u> | | <u>Totals</u> |
|--|-----------------------------|------------------------------|--------------------------|
| | <u>Agency</u> | <u>Private Purpose Trust</u> | <u>(Memorandum Only)</u> |
| Operating Cash Receipts | | | |
| Charges for Services | | | |
| Licenses, Permits and Fees | \$3,557 | | \$3,557 |
| Miscellaneous | | \$2 | 2 |
| <i>Total Operating Cash Receipts</i> | <u>3,557</u> | <u>2</u> | <u>3,559</u> |
| Operating Cash Disbursements | | | |
| Other | 3,884 | | 3,884 |
| <i>Net Changes in Fund Cash Balances</i> | (327) | 2 | (325) |
| <i>Fund Cash Balances, January 1</i> | <u>750</u> | <u>734</u> | <u>1,484</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$423</u> | <u>\$736</u> | <u>\$1,159</u> |

See accompanying notes to the financial statements

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 1 – REPORTING 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, park and recreation activities, police and fire protection, and emergency medical services. The Township contracts with the Erie County Sheriff's Department to provide dispatch services for the police, fire, and emergency medical services departments.

Public Entity Risk Pool and Related Organization

The Township participates in one public entity risk pool and one jointly governed organization. Notes 6 and 11 to the financial statements, respectively, provide additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted or committed to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service – Road Reconditioning TAN Fund This fund accounts for the accumulation of resources to pay the debt service on the tax anticipation notes.

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 Fund:

Capital Projects - Roads Loan This fund received the proceeds of tax anticipation notes earmarked for repairs and maintenance of Township roads.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2016 budgetary activity appears in Note 3.

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's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

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.

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,864,409 | \$2,299,572 | \$435,163 |
| Special Revenue | 7,105,518 | 7,306,942 | 201,424 |
| Debt Service | 452,644 | 452,644 | |
| Capital Projects | 626,080 | 130,779 | (495,301) |
| Trust | | 2 | 2 |
| Total | \$10,048,651 | \$10,189,939 | \$141,288 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$2,365,267 | \$1,726,890 | \$638,377 |
| Special Revenue | 9,161,093 | 7,492,447 | 1,668,646 |
| Debt Service | 456,618 | 456,617 | 1 |
| Capital Projects | 1,810,033 | 1,311,842 | 498,191 |
| Total | \$13,793,011 | \$10,987,796 | \$2,805,215 |

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 4 – 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:

| | 2016 |
|--|-------------|
| Demand deposits | \$2,512,741 |
| Certificates of deposit | 1,048,659 |
| STAR Plus | 1,621,751 |
| Other time deposits (savings accounts) | 734 |
| Cash on hand | 250 |
| Total deposits | 5,184,135 |
| STAR Ohio | 924,342 |
| Total deposits and investments | \$6,108,477 |

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.

NOTE 5 – PROPERTY TAXES

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - 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.

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, 2016, 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, 2016.

| | 2016 |
|--------------|--------------|
| Assets | \$38,473,283 |
| Liabilities | 8,244,140 |
| Net Position | \$30,229,143 |

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$59,000.

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 6 - RISK MANAGEMENT (Continued)

| |
|--|
| <u>2016 Contributions to OTARMA</u> |
|--|

| |
|-----------|
| \$131,688 |
|-----------|

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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 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 2016 OPERS-LE members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2016 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, 2016.

Ohio Police and Fire Retirement System

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.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. 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, 2016.

Social Security

Effective May 4, 1992, all part-time firefighters hired after this date contribute to Social Security. Other non-pensionable employees of the Township also contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 8 – POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9 – DEBT

Debt outstanding at December 31, 2016 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Leaf Truck Lease-Purchase | \$43,405 | 2.99% |
| OPWC Strub Road | 247,500 | 0.00% |
| Cruiser Lease-Purchase (2016) | 30,099 | 6.95% |
| Road Levy Tax Anticipation Notes, Series 2015 | 1,000,000 | 2.85% |
| Ground Lease Agreement | 552,320 | 2.75% |
| Total | \$1,873,324 | |

During a prior audit period, the Township entered into a \$139,500 lease-purchase agreement with TCF Equipment Finance, Inc. in accordance with § 505.267 of the Ohio Rev. 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 received a \$275,000 loan through the Ohio Public Works Commission (OPWC) for Strub Road pavement improvements. The loan is interest free and will be repaid in semiannual installments of \$13,750 with the final payment in 2025.

The Cruiser Lease-Purchase (2016) was executed for the purchase of two cruisers for the Township Police Department. The lease terms specify annual payments totaling \$32,191 (including interest), with the final payment in 2017.

The Road Levy Tax Anticipation Notes (TAN), Series, 2015 were issued in anticipation of collection of a 2.75 mill road levy approved at the November 4, 2014 election. The proceeds are restricted to general construction, reconstruction, resurfacing, and repair of Township streets and roads. Proceeds from the levy will be used to repay the notes, with the final payment occurring in 2019.

The Ground Lease Agreement was entered into in June, 2015. The proceeds of the agreement were used to retire a lease-purchase agreement with Ohio Township Association (OTA) that had been entered into in order to refinance a bond anticipation noted issued for the construction of the Township complex and Fire Station. The Township will make semi-annual rent payments commencing December, 2015 through December, 2024

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE 9 – DEBT (Continued)

Amortization

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

| Year ending December 31: | Leaf Truck Lease-Purchase | OPWC Strub Road | Cruiser Lease- Purchase (2016) | Road Levy TAN, Series 2015 | Ground Lease Agreement |
|--------------------------|------------------------------|--------------------|-----------------------------------|----------------------------------|---------------------------|
| 2017 | \$29,812 | \$27,500 | \$32,191 | \$359,814 | \$75,382 |
| 2018 | 14,906 | 27,500 | | 350,182 | 77,495 |
| 2019 | | 27,500 | | 340,551 | 79,345 |
| 2020 | | 27,500 | | | 75,931 |
| 2021 | | 27,500 | | | 77,357 |
| 2022-2025 | | 110,000 | | | 237,870 |
| Total | <u>\$44,718</u> | <u>\$247,500</u> | <u>\$32,191</u> | <u>\$1,050,547</u> | <u>\$623,380</u> |

NOTE 10 – 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.

NOTE 11 - JOINTLY GOVERNED ORGANIZATION

Sand Hill Cemetery Association

Perkins, Groton, Oxford, and Margaretta townships 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 2016.

NOTE 12 – MISCELLANEOUS RECEIPTS

During 2016, general fund miscellaneous receipts consisted primarily of proceeds from tower leases.

NOTE 13 - COMPLIANCE

Contrary to Ohio law, the Fiscal Officer posted proceeds from the sale of capital assets to the incorrect funds.

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Perkins Township
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|----------------------------|-------------------------|-----------------------------|---|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$1,382,013 | \$4,996,783 | | | \$6,378,796 |
| Charges for Services | 1,345 | 688,109 | | | 689,454 |
| Licenses, Permits and Fees | 420,486 | 39,954 | | | 460,440 |
| Fines and Forfeitures | | 48,742 | | | 48,742 |
| Intergovernmental | 256,486 | 656,789 | | \$11,960 | 925,235 |
| Special Assessments | | 36,549 | | | 36,549 |
| Earnings on Investments | 11,888 | 175 | | 1,373 | 13,436 |
| Miscellaneous | 101,877 | 78,426 | | | 180,303 |
| <i>Total Cash Receipts</i> | <u>2,174,095</u> | <u>6,545,527</u> | | <u>13,333</u> | <u>8,732,955</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 861,977 | | | | 861,977 |
| Public Safety | 12,828 | 4,878,773 | | 7,065 | 4,898,666 |
| Public Works | 11,359 | 1,446,259 | | | 1,457,618 |
| Health | | 31,894 | | | 31,894 |
| Conservation-Recreation | 30,962 | 50,405 | | | 81,367 |
| Capital Outlay | | 245,257 | \$1,297 | 1,073,888 | 1,320,442 |
| Debt Service: | | | | | |
| Principal Retirement | 70,000 | 88,989 | 876,205 | 13,750 | 1,048,944 |
| Interest and Fiscal Charges | 916 | 4,799 | 69,212 | 1,577 | 76,504 |
| <i>Total Cash Disbursements</i> | <u>988,042</u> | <u>6,746,376</u> | <u>946,714</u> | <u>1,096,280</u> | <u>9,777,412</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,186,053</u> | <u>(200,849)</u> | <u>(946,714)</u> | <u>(1,082,947)</u> | <u>(1,044,457)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Notes | | | | 1,500,000 | 1,500,000 |
| Other Debt Proceeds | | | 663,250 | 275,000 | 938,250 |
| Sale of Capital Assets | | 1,045 | | 280,435 | 281,480 |
| Transfers In | | 287,075 | 288,500 | 13,750 | 589,325 |
| Transfers Out | (404,325) | (185,000) | | | (589,325) |
| Advances In | 29,000 | | | | 29,000 |
| Advances Out | | (29,000) | | | (29,000) |
| Other Financing Sources | | 67,328 | | | 67,328 |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(375,325)</u> | <u>141,448</u> | <u>951,750</u> | <u>2,069,185</u> | <u>2,787,058</u> |
| <i>Net Changes in Fund Cash Balances</i> | 810,728 | (59,401) | 5,036 | 986,238 | 1,742,601 |
| <i>Fund Cash Balances, January 1</i> | <u>1,756,864</u> | <u>2,241,433</u> | <u>1,428</u> | <u>345,392</u> | <u>4,345,117</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | | | | | |
| Restricted | | 2,098,682 | | 1,262,927 | 3,361,609 |
| Committed | 6,002 | 83,350 | | 68,703 | 158,055 |
| Assigned | 461,881 | | 6,464 | | 468,345 |
| Unassigned | <u>2,099,709</u> | | | | <u>2,099,709</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,567,592</u> | <u>\$2,182,032</u> | <u>\$6,464</u> | <u>\$1,331,630</u> | <u>\$6,087,718</u> |

See accompanying notes to the financial statements

Perkins Township*Erie County**Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)**All Fiduciary Fund Types**For the Year Ended December 31, 2015*

| | Fiduciary Fund Types | | Totals |
|--|-----------------------------|----------------------------------|------------------------------|
| | Agency | Private Purpose Trust | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Licenses, Permits and Fees | \$4,095 | | \$4,095 |
| Earnings on Investments (trust funds only) | | \$1 | 1 |
| <i>Total Operating Cash Receipts</i> | <u>4,095</u> | <u>1</u> | <u>4,096</u> |
| Operating Cash Disbursements | | | |
| Purchased Services | 34,394 | | 34,394 |
| Other | 3,817 | | 3,817 |
| <i>Total Operating Cash Disbursements</i> | <u>38,211</u> | | <u>38,211</u> |
| <i>Net Changes in Fund Cash Balances</i> | (34,116) | 1 | (34,115) |
| <i>Fund Cash Balances, January 1</i> | <u>34,866</u> | <u>733</u> | <u>35,599</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$750</u> | <u>\$734</u> | <u>\$1,484</u> |

See accompanying notes to the financial statements

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 1 – REPORTING 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, park and recreation activities, police and fire protection, and emergency medical services. The Township contracts with the Erie County Sheriff's Department to provide dispatch services for the police, fire, and emergency medical services departments.

Public Entity Risk Pool and Related Organization

The Township participates in one public entity risk pool and one jointly governed organization. Notes 6 and 11 to the financial statements, respectively, provide additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds These funds account for and report financial resources that are restricted or committed to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Debt Service Series 2015 Fund This fund accounts for the accumulation of resources to pay lease-purchase obligations.

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:

OPWC W. Strub Road Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Capital Projects - Roads Loan This fund received the proceeds of tax anticipation notes earmarked for repairs and maintenance of Township roads.

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 structures and building fees collected and remitted to the State.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. 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 Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 2015 budgetary activity appears in Note 3.

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's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|---------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,881,771 | \$2,203,095 | \$321,324 |
| Special Revenue | 6,587,133 | 6,900,975 | 313,842 |
| Debt Service | 951,750 | 951,750 | |
| Capital Projects | 2,585,744 | 2,082,518 | (503,226) |
| Trust | | 1 | 1 |
| Total | <u>\$12,006,398</u> | <u>\$12,138,339</u> | <u>\$131,941</u> |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,874,430 | \$1,412,880 | \$461,550 |
| Special Revenue | 8,657,658 | 7,036,391 | 1,621,267 |
| Debt Service | 951,894 | 946,714 | 5,180 |
| Capital Projects | 1,951,685 | 1,559,320 | 392,365 |
| Total | <u>\$13,435,667</u> | <u>\$10,955,305</u> | <u>\$2,480,362</u> |

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 4 – 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:

| | |
|--|---------------------------|
| | <u>2015</u> |
| Demand deposits | \$2,368,344 |
| Certificates of deposit | 1,048,784 |
| STAR Plus | 1,615,630 |
| Other time deposits (savings accounts) | 751,894 |
| Cash on hand | <u>250</u> |
| Total deposits | 5,784,902 |
| STAR Ohio | <u>304,300</u> |
| Total deposits and investments | <u><u>\$6,089,202</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.

NOTE 5 – PROPERTY TAXES

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - 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.

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, 2015, 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, 2015:

| | 2015 |
|--------------|--------------|
| Assets | \$37,313,311 |
| Liabilities | 8,418,518 |
| Net Position | \$28,894,793 |

At December 31, 2015, the liabilities above include approximately \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million of unpaid claims to be billed to approximately 989 members in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$60,000.

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - RISK MANAGEMENT (Continued)

| |
|--|
| <u>2015 Contributions to OTARMA</u> |
|--|

| |
|-----------|
| \$113,618 |
|-----------|

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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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 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 2015 OPERS-LE members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of participants' gross salaries. For 2015 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, 2015.

Ohio Police and Fire Retirement System

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.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages through June 30, 2015, while participants contributed 12.25% of their wages beginning July 1, 2015. For 2015 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, 2015.

Social Security

Effective May 4, 1992, all part-time firefighters hired after this date contribute to Social Security. Other non-pensionable employees of the Township also contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 8 – POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9 – DEBT

Debt outstanding at December 31, 2015 was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| Leaf Truck Lease-Purchase | \$71,280 | 2.99% |
| OPWC Strub Road | 261,250 | 0.00% |
| Cruiser Lease-Purchase (2015) | 32,612 | 6.45% |
| Road Levy Tax Anticipation Notes, Series 2015 | 1,333,333 | 2.85% |
| Ground Lease Agreement | 613,712 | 2.75% |
| Total | \$2,312,187 | |

During a prior audit period, the Township entered into a \$139,500 lease-purchase agreement with TCF Equipment Finance, Inc. in accordance with § 505.267 of the Ohio Rev. 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 received a \$275,000 loan through the Ohio Public Works Commission (OPWC) for Strub Road pavement improvements. The loan is interest free and will be repaid in semiannual installments of \$13,750, with the final payment in 2025.

The Cruiser Lease-Purchase (2015) was executed for the purchase of two cruisers for the Township Police Department. The lease terms specify annual payments totaling \$34,716 (including interest), with the final payment in 2016.

The Road Levy Tax Anticipation Notes, Series, 2015 were issued in anticipation of collection of a 2.75 mill road levy approved at the November 4, 2014 election. The proceeds are restricted to general construction, reconstruction, resurfacing, and repair of Township streets and roads. Proceeds from the levy will be used to repay the notes, with the final payment occurring in 2019.

The Ground Lease Agreement was entered into in June, 2015. The proceeds of the agreement were used to retire a lease-purchase agreement with Ohio Township Association (OTA) that had been entered into in order to refinance a bond anticipation noted issued for the construction of the Township complex and Fire Station. The Township will make semi-annual rent payments commencing December, 2015 through December, 2024

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 9 – DEBT (Continued)

Amortization

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

| Year ending December 31: | Leaf Truck Lease-Purchase | OPWC Strub Road | Cruiser Lease- Purchase (2015) | Road Levy TAN, Series 2015 | Ground Lease Agreement |
|--------------------------|------------------------------|--------------------|-----------------------------------|----------------------------------|---------------------------|
| 2016 | \$29,812 | \$13,750 | \$34,716 | \$369,565 | \$78,269 |
| 2017 | 29,812 | 27,500 | | 359,814 | 75,382 |
| 2018 | 14,906 | 27,500 | | 350,182 | 77,495 |
| 2019 | | 27,500 | | 340,551 | 79,345 |
| 2020 | | 27,500 | | | 75,931 |
| 2021-2025 | | 137,500 | | | 315,227 |
| Total | <u>\$74,530</u> | <u>\$261,250</u> | <u>\$34,716</u> | <u>\$1,420,112</u> | <u>\$701,649</u> |

NOTE 10 – 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.

NOTE 11 - JOINTLY GOVERNED ORGANIZATION

Sand Hill Cemetery Association

Perkins, Groton, Oxford, and Margaretta townships 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 2015.

NOTE 12 – MISCELLANEOUS RECEIPTS

During 2015, general fund miscellaneous receipts consisted primarily of proceeds from tower leases.

NOTE 13 - COMPLIANCE

Contrary to Ohio law, the Fiscal Officer posted proceeds from the sale of capital assets to the incorrect funds.

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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 the cash balances, receipts, and disbursements by fund type of Perkins Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated January 4, 2018 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 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 2016-002.

Township's Responses 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 4, 2018

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2016:

- Special Revenue Fund Type fund balance in the amount of \$264,977 was reclassified from committed to restricted in accordance with GASB 54; and
- Capital Projects Fund Type fund balance in the amount of \$449,662 was reclassified from committed to restricted in accordance with GASB 54.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2015:

- Debt Service Fund Type principal retirement disbursements in the amount of \$635,000 were incorrectly classified as interest and fiscal charges;
- Capital Projects Fund Type other debt proceeds in the amount of \$275,000 were incorrectly classified as intergovernmental receipts; and
- Capital Projects Fund Type fund balance in the amount of \$1,084,836 was reclassified from committed to restricted in accordance with GASB 54.

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect the changes noted above. Additional insignificant errors were also noted for the years ended December 31, 2016 and 2015.

To help 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 financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer can refer to the Township Officer's Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/FINALTownshipHandbook%203-22-17.pdf>

Additionally, the Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board (GASB) Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

**FINDING 2016-001
 (CONTINUED)**

Officials' Response:

There was a change in Fiscal Officers as of April 1, 2016. The incoming Fiscal Officer was unaware of the requirements regarding fund balance classifications and had been following what was reported in the past. The errors in the classification of Debt Service payments occurred prior to the change in Fiscal Officers. All matters have been noted for 2017 and changes have been implemented accordingly.

FINDING NUMBER 2016-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.10(F) provides, in part, 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.

The Fiscal Officer posted proceeds from the sale of capital assets to the incorrect funds during the years ended December 31, 2016 and 2015, as these receipts should have been recorded in the Miscellaneous Capital Projects Fund.

The following table illustrates the errors in posting by fund:

| <u>Fund Type/Fund</u> | <u>2016 Amount Adjusted</u> | <u>2015 Amount Adjusted</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|
| General Fund | (\$12,950) | |
| Special Revenue Fund Type: | | |
| Road and Bridge Fund | (8,615) | (\$100,000) |
| Police Fund | (2,225) | (2,000) |
| Fire and Rescue, Fire and Ambulance | (4,850) | (3,435) |
| Capital Projects Fund Type: | | |
| Miscellaneous Capital Projects | 28,640 | 105,435 |

The Fiscal Officer was not aware of this requirement. 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 help 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. The Fiscal Officer can refer to the Ohio Township Handbook available from the following web address for guidance on the posting of transactions:

<http://www.ohioauditor.gov/publications/FINALTownshipHandbook%203-22-17.pdf>

**FINDING 2016-002
(CONTINUED)**

Officials' Response:

There was a change in Fiscal Officers as of April 1, 2016. The incoming Fiscal Officer was unaware of the requirement and had been following what was reported in the past. All matters have been noted for 2017 and changes have been implemented accordingly.



Perkins Township

Board of Trustees

Fiscal Officer

Timothy Coleman
 Jeffrey Ferrell
 James Lang
 Diane Schaefer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|--|---|
| 2014-001 | Material weakness for errors in financial reporting. | Not corrected and reissued as Finding 2016-001 in this report. | Material weakness items from the 2014-2013 audit were corrected, however additional errors identified during the 2016-2015 audit. Also see Officials' Response to finding 2016-001. |
| 2014-002 | Ohio Rev. Code § 5705.10 (F) for the failure to record receipts to appropriate funds. | Not corrected and reissued as Finding 2016-002 in this report. | There was a change in Fiscal Officers as of April 1, 2016. The incoming Fiscal Officer was unaware of the requirement. Also see Officials' Response to finding 2016-002. |



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
JANUARY 23, 2018