



OHIO AUDITOR OF STATE
KEITH FABER



**PERKINS TOWNSHIP
ERIE COUNTY**

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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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. 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 August 8, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

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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, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,425,394	\$5,308,807			\$6,734,201
Charges for Services	2,495	625,962			628,457
Licenses, Permits and Fees	343,058	100,225			443,283
Fines and Forfeitures		54,409			54,409
Intergovernmental	264,598	658,592		\$220,671	1,143,861
Special Assessments	6,821	46,917			53,738
Earnings on Investments	101,552	5,327			106,879
Miscellaneous	107,812	99,167		160	207,139
<i>Total Cash Receipts</i>	<u>2,251,730</u>	<u>6,899,406</u>		<u>220,831</u>	<u>9,371,967</u>
Cash Disbursements					
Current:					
General Government	1,130,592			8,344	1,138,936
Public Safety	154,758	4,742,106		533	4,897,397
Public Works	10,821	1,652,604		289,104	1,952,529
Health		86,500			86,500
Conservation-Recreation	93,920	541,140			635,060
Capital Outlay		24,330		105,744	130,074
Debt Service:					
Principal Retirement		14,685	\$397,294	27,500	439,479
Interest and Fiscal Charges		221	30,383		30,604
<i>Total Cash Disbursements</i>	<u>1,390,091</u>	<u>7,061,586</u>	<u>427,677</u>	<u>431,225</u>	<u>9,310,579</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>861,639</u>	<u>(162,180)</u>	<u>(427,677)</u>	<u>(210,394)</u>	<u>61,388</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets				49,922	49,922
Transfers In		727,500	427,584	110,500	1,265,584
Transfers Out	(915,400)	(350,184)			(1,265,584)
Advances In	190,000	190,000			380,000
Advances Out	(190,000)	(190,000)			(380,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(915,400)</u>	<u>377,316</u>	<u>427,584</u>	<u>160,422</u>	<u>49,922</u>
<i>Net Change in Fund Cash Balances</i>	(53,761)	215,136	(93)	(49,972)	111,310
<i>Fund Cash Balances, January 1</i>	<u>3,973,733</u>	<u>2,694,225</u>	<u>109</u>	<u>210,359</u>	<u>6,878,426</u>
Fund Cash Balances, December 31					
Restricted		2,909,361		160,387	3,069,748
Committed	183				183
Assigned	1,378,747		16		1,378,763
Unassigned	2,541,042				2,541,042
<i>Fund Cash Balances, December 31</i>	<u>\$3,919,972</u>	<u>\$2,909,361</u>	<u>\$16</u>	<u>\$160,387</u>	<u>\$6,989,736</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, 2018

	<u>Fiduciary Fund Types</u>		<u>Totals</u>
	<u>Agency</u>	<u>Private Purpose Trust</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Licesnses, Permits, and Fees	\$2,110		\$2,110
Fines and Forfeitures	15,418		15,418
Earnings on Investments		\$1	1
<i>Total Operating Cash Receipts</i>	<u>17,528</u>	<u>1</u>	<u>17,529</u>
Operating Cash Disbursements			
Other	2,454		2,454
<i>Net Change in Fund Cash Balances</i>	15,074	1	15,075
<i>Fund Cash Balances, January 1</i>	<u>510</u>	<u>736</u>	<u>1,246</u>
<i>Fund Cash Balances, December 31</i>	<u>\$15,584</u>	<u>\$737</u>	<u>\$16,321</u>

See accompanying notes to the financial statements

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, parks 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 Jointly Governed Organization

The Township participates in one public entity risk pool and one jointly governed organization. Notes 7 and 13 to the financial statements provides 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 to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire & Rescue, Ambulance & EMS Fund The fire & rescue, ambulance & EMS fund receives property tax money and EMS collections for the maintenance of fire apparatus, buildings, water, supplies, payment of firefighters/EMS/paramedics, and to operate emergency medical services.

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Debt Service - Road Reconditioning TAN Fund The debt service – road reconditioning TAN 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 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 - OPWC Fund - The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement. The 2018 grant was for Woodlawn Avenue.

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 building fees collected and remitted to the State and for money collected from potential drug cases.

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 program, 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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 appropriated.

A summary of 2018 budgetary activity appears in Note 4.

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 and Star Ohio Plus are 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.

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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 – Compliance

Contrary to Ohio law, the Township transferred money from a restricted fund to pay the local share of a road project.

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,176,216	\$2,251,730	\$75,514
Special Revenue	7,908,135	7,626,906	(281,229)
Debt Service	427,684	427,584	(100)
Capital Projects	1,282,558	381,253	(901,305)
Trust		1	1
Total	\$11,794,593	\$10,687,474	(\$1,107,119)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,201,094	\$2,514,240	\$686,854
Special Revenue	9,955,006	8,116,827	1,838,179
Debt Service	427,679	427,677	2
Capital Projects	990,102	476,337	513,765
Total	\$14,573,881	\$11,535,081	\$3,038,800

Note 5 – 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:

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	2018
Demand deposits	\$1,077,633
Certificates of deposit	2,108,081
STAR Plus	1,666,036
Cash on Hand	150
Other time deposits (savings accounts)	737
Total deposits	4,852,637
STAR Ohio	2,153,420
Total deposits and investments	\$7,006,057

Deposits

Deposits are insured by the Federal Deposit 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 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 February 15. The second half payment is due the following July 12.

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.

Note 7 – Risk Management

Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2017, 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, 2017 (the latest information available).

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

<u>2018 Contributions to OTARMA</u>
\$136,626

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – 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 the Ohio Public Employees Retirement System – General (OPERS-G). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018 OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent of participants' gross salaries. OPERS-G members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

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 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

Social Security

Effective May 4, 1992 all part-time fire fighters hired after this date contribute to Social Security along with other non-pensionable employees. 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, 2018.

Note 9 – 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ground Lease Agreement	\$428,166	2.75%
Road Levy Tax Anticipation Notes, Series 2015	333,334	2.85%
OPWC - Strub Road	192,500	0.00%
TFC Lease-Purchase	203,760	4.71%
Total	<u>\$1,157,760</u>	

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 note issued for the construction of the Township complex and Fire Station. The Township will make semi-annual payments which commenced December 2015 through December 2024.

The Road Levy Tax Anticipation Notes (TAN) 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 Township received a \$275,000 interest free loan through the Ohio Public Works Commission (OPWC) in accordance with Ohio Revised Code 164.05 for West Strub Road Pavement Improvements. The loan is interest free and will be repaid in semiannual installments of \$13,750 with the final payment in July 2025.

Leases

In 2018 the Township entered into a \$259,953 lease-purchase agreement with TCF Equipment Finance, Inc. in accordance with Ohio Revised Code 505.267. This agreement was to finance the purchase of a street sweeper. The Township will pay TCF Equipment Finance, Inc. semi-annual payments for five years, starting in October 2018 and ending with the final payment in October 2022, with an interest rate of 4.71 percent. As stated in the lease-purchase agreement, the Township can fully execute the terms of the agreement at any time by paying off the 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.

Amortization

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year ending December 31:	Ground Lease Agreement	Road Levy Tax Anticipation Notes, Series 2015	OPWC - Strub Road	TFC Lease- Purchase
2019	\$79,345	\$340,551	\$27,500	\$57,213
2020	75,931		27,500	57,213
2021	77,357		27,500	57,213
2022	78,506		27,500	57,213
2023	79,382		27,500	
2024-2025	79,982		55,000	
Total	\$470,503	\$340,551	\$192,500	\$228,852

Note 11 – Construction and Contractual Commitments

As of December 31, 2018, the Township had the following significant construction and/or contractual commitments:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amounts</u>
Strickfaden Park Site Improvements	Ed Burdue and Company	\$232,599
Strickfaden Park Restrooms	Studer-Obringer, Inc.	195,200
OPWC Woodlawn	7L Construction	135,193

Note 12 – 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.

The Township is awaiting final accounting from Ohio Public Entity Consortium Health Cooperative (OPECHC), a public entity risk pool for health insurance that the Township belonged to until December 31, 2017. The Township withdrew from this pool effective January 1, 2018. An estimate for run-out claims has been paid. However, any possible final loss is not reasonably estimated currently.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 13 – Jointly Governed Organization

Sand Hill Cemetery Association

Perkins, Groton, Oxford, and Margareta 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 \$875 to the Cemetery Association during 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, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,434,066	\$5,134,074			\$6,568,140
Charges for Services	8,949	670,776			679,725
Licenses, Permits and Fees	401,564	90,649		\$380	492,593
Fines and Forfeitures		61,826			61,826
Intergovernmental	280,204	727,554		300,339	1,308,097
Special Assessments	115	41,130			41,245
Earnings on Investments	51,083	2,192			53,275
Miscellaneous	93,421	112,953			206,374
<i>Total Cash Receipts</i>	<u>2,269,402</u>	<u>6,841,154</u>		<u>300,719</u>	<u>9,411,275</u>
Cash Disbursements					
Current:					
General Government	1,048,348				1,048,348
Public Safety	151,108	4,984,845		4,000	5,139,953
Public Works	29,110	1,104,673		352,210	1,485,993
Health		34,292			34,292
Conservation-Recreation	72,003	107,946			179,949
Capital Outlay		1,404		317,089	318,493
Debt Service:					
Principal Retirement			\$393,526	27,500	421,026
Interest and Fiscal Charges		31,904	41,604		73,508
<i>Total Cash Disbursements</i>	<u>1,300,569</u>	<u>6,265,064</u>	<u>435,130</u>	<u>700,799</u>	<u>8,701,562</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>968,833</u>	<u>576,090</u>	<u>(435,130)</u>	<u>(400,080)</u>	<u>709,713</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets		235		61,160	61,395
Transfers In		77,000	432,748	19,705	529,453
Transfers Out	(169,705)	(359,748)			(529,453)
Advances In	18,000	15,000			33,000
Advances Out	(15,000)	(18,000)			(33,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(166,705)</u>	<u>(285,513)</u>	<u>432,748</u>	<u>80,865</u>	<u>61,395</u>
<i>Net Change in Fund Cash Balances</i>	802,128	290,577	(2,382)	(319,215)	771,108
<i>Fund Cash Balances, January 1, Restated</i>	<u>3,171,605</u>	<u>2,403,648</u>	<u>2,491</u>	<u>529,574</u>	<u>6,107,318</u>
Fund Cash Balances, December 31					
Restricted		2,673,349		210,100	2,883,449
Committed	178	20,876		259	21,313
Assigned	1,024,878		109		1,024,987
Unassigned	2,948,677				2,948,677
<i>Fund Cash Balances, December 31</i>	<u>\$3,973,733</u>	<u>\$2,694,225</u>	<u>\$109</u>	<u>\$210,359</u>	<u>\$6,878,426</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, 2017

	<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	\$3,360		\$3,360
Operating Cash Disbursements			
Other	3,273		3,273
<i>Net Change in Fund Cash Balances</i>	87		87
<i>Fund Cash Balances, January 1</i>	423	\$736	1,159
<i>Fund Cash Balances, December 31</i>	<u>\$510</u>	<u>\$736</u>	<u>\$1,246</u>

See accompanying notes to the financial statements

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, parks 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 Pools and Jointly Governed Organization

The Township participates in two public entity risk pools and one jointly governed organization. Notes 8 and 14 to the financial statements provides 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 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:

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

Fire & Rescue, Ambulance & EMS Fund The fire & rescue, ambulance & EMS fund receives property tax money and EMS collections for the maintenance of fire apparatus, buildings, water, supplies, payment of firefighters/EMS/paramedics, and to operate emergency medical services.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Debt Service - Road Reconditioning TAN Fund The debt service – road reconditioning TAN 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 Funds:

Capital Projects – SRTS Fund The capital projects – safe routes to school (SRTS) fund received the proceeds of a Federal grant administered by the State. The proceeds were restricted for the construction of sidewalks.

Capital Projects – TAN Projects Fund The capital projects – Tax Anticipation Notes (TAN) 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). The 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 17.2.03(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, 2017

Appropriations Budgetary expenditures (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 2017 budgetary activity appears in Note 5.

Deposits and Investments

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

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 – Accounting Change

During the prior audit period an audit adjustment was required in order to properly account for the proceeds of the sale of a capital asset in the Capital Projects Fund Type. The Township subsequently determined that certain capital asset disbursements were recorded in the Special Revenue Fund Type (Road and Bridge Fund) using the proceeds from this sale during 2016 and should have been recorded as disbursements in the Capital Projects Fund Type (Capital Projects – Site Improvements Fund). This determination had the following effect on fund balances previously reported for the year ended December 31, 2016:

	Special Revenue	Capital Projects
Fund balance December 31, 2016	\$2,295,033	\$638,189
Expenditure adjustment	108,615	(108,615)
Restated fund balance January 1, 2017	\$2,403,648	\$529,574

Note 4 – Compliance

Contrary to Ohio law, the Township transferred money from a restricted fund to pay the local share of a road project.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,206,963	\$2,269,402	\$62,439
Special Revenue	7,812,993	6,918,389	(894,604)
Debt Service	433,000	432,748	(252)
Capital Projects	1,378,715	381,584	(997,131)
Total	\$11,831,671	\$10,002,123	(\$1,829,548)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,527,900	\$1,574,026	\$1,953,874
Special Revenue	9,698,649	6,885,223	2,813,426
Debt Service	435,216	435,130	86
Capital Projects	1,841,682	1,181,795	659,887
Total	\$15,503,447	\$10,076,174	\$5,427,273

Note 6 – 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:

	2017
Demand deposits	\$1,643,038
Certificates of deposit	2,073,265
STAR Plus	1,633,780
Cash on Hand	250
Other time deposits (savings accounts)	736
Total deposits	5,351,069
STAR Ohio	1,528,603
Total deposits and investments	\$6,879,672

Deposits

Deposits are insured by the Federal Deposit 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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – 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.

Note 8 - Risk Management

Risk Pool Membership – Ohio Township Risk Management Authority

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, 2017, 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, 2017.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, 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.

2017 Contributions to OTARMA
\$134,763

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.

Risk Pool Membership – Ohio Public Entity Consortium Health Cooperative

The Township was previously a member of the Ohio Public Entity Consortium Health Cooperative (OPECHC), a risk-sharing pool, which provided employee health care benefits. As of December 31, 2017 OPECHC dissolved. As of January 1, 2018 the Township began participation in Anthem Blue Cross and Blue Shield for health care benefits. At the time of this report, the Township is unable to determine the potential impact this closure may have. Any possible loss is not reasonably estimated currently.

Note 9 - 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 the Ohio Public Employees Retirement System – General (OPERS-G). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Ohio Revised Code also prescribes contribution rates. For 2017 OPERS-LE members contributed 13 percent of their gross salaries and the Township contributed an amount equaling 18.1 percent, of participants' gross salaries. OPERS-G members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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. For 2017 OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2017.

Social Security

Effective May 4, 1992 all part-time fire fighters hired after this date contribute to Social Security. Other non-pensionable employees of the Township also contribute to Social Security. 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, 2017.

Note 10 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit post-employment 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ground Lease Agreement	\$492,127	2.75%
Road Levy Tax Anticipation Notes, Series 2015	666,667	2.85%
OPWC - Strub Road	220,000	0.00%
Leaf Truck Lease-Purchase	14,685	2.99%
Total	<u>\$1,393,479</u>	

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 note issued for the construction of the Township complex and Fire Station. The Township will make semi-annual payments which commenced December 2015 through December 2024.

The Road Levy Tax Anticipation Notes (TAN) 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 Township received a \$275,000 interest free loan through the Ohio Public Works Commission (OPWC) in accordance with Ohio Revised Code 164.05 for West Strub Road pavement Improvements. The loan is interest free and will be repaid in semiannual installments of \$13,750 with the final payment in July 2025.

Amortization

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

Year ending December 31:	Ground Lease Agreement	Road Levy Tax Anticipation Notes, Series 2015	OPWC - Strub Road	Leaf Truck Lease- Purchase
2018	\$77,495	\$350,182	\$27,500	\$14,906
2019	79,345	340,551	27,500	
2020	75,931		27,500	
2021	77,357		27,500	
2022	78,506		27,500	
2023-2025	159,364		82,500	
Total	<u>\$547,998</u>	<u>\$690,733</u>	<u>\$220,000</u>	<u>\$14,906</u>

Note 12 – 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, principally the federal government. 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.

Perkins Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – Construction and Contractual Commitments

As of December 31, 2017, the Township had the following significant construction and/or contractual commitments:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amounts</u>
Dewitt Avenue	Erie Blacktop, Inc.	\$220,688
Indiana/Pennsylvania Avenues	Erie Blacktop, Inc.	228,308

Note 14 - 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 2017.

Note 15 – Miscellaneous Receipts

General Fund miscellaneous receipts consisted primarily of proceeds from tower leases.



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**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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 8, 2019 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. We also noted the Township restated its beginning fund balances to correct a misstatement

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 2018-001 and 2018-002 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 2018-002.

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 subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 8, 2019

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the notes to the financial statements for the year ended December 31, 2017 were identified:

- General Fund actual budgetary-basis expenditures were increased \$142,452 in order to bring the notes to the financial statements in line with actual activity amounts; and
- Capital Projects Fund Type budgeted expenditures and actual budgetary-basis expenditures were increased in the amounts of \$488,122 and \$480,996, respectively, in order to bring the notes to the financial statements in line with authorized budget and actual activity amounts.

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 notes financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2018 and 2017.

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 to the financial statements by the Fiscal Officer and Trustees to help identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer did not properly follow the instruction regarding including outstanding encumbrances.

FINDING NUMBER 2018-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.15 provides that in addition to the transfers authorized in section 5705.14 of the Ohio Rev. Code, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16 of the Ohio Rev. Code, transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

**FINDING NUMBER 2018-002
(CONTINUED)**

Ohio Rev. Code § 5705.16 requires the Township to petition the tax commissioner (effective after June 30, 2017) or Court of Common Pleas (effective through June 30, 2017) for approval of such transfers.

Furthermore, Auditor of State Bulletin 2002-004 provides in pertinent part that if the authority does not exist to transfer monies to the capital projects fund for the local matching requirement, the Township should expend its matching requirement directly from the other funds if lawfully permitted.

During the years ended December 31, 2018 and 2017 the Fiscal Officer incorrectly transferred \$393,600 and \$32,500, respectively, from the Roads Reconditioning Fund (Special Revenue Fund Type) to the Capital Projects – OPWC Fund (Capital Projects Fund Type) and Capital Projects - OPWC 2017 Fund (Capital Projects Fund Type), respectively, without obtaining the required approval outlined above. These transfers were for the Township’s local matching share of grants.

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 the approval of transfers and local match requirements. The accompanying financial statements, notes to the financial statements, and where applicable, the Township’s accounting records have been adjusted to reflect these changes.

The Fiscal Officer should expense the local matching requirements directly from the applicable fund in the event transfers from the fund to satisfy local matching requirements are not permitted. In the event transfers are necessary, the Township should ensure the fund has been established in accordance with the provisions outlined above and/or petition the tax commissioner for approval of any such transfers. The Fiscal Officer can refer Audit of State Bulletin 2002-004 at the following website address for guidance on properly accounting for Ohio Public Works Commission Issue II Projects:
<http://www.ohioauditor.gov/publications/bulletins/2002/2002-004.pdf>

Officials’ Response:

It was our belief that Perkins Township was complying with the guidelines provided by Auditor of State Bulletin 2002-004 because of the following:

- A. Fund 4909 was established for OPWC projects to account for both the OPWC monies and the local matching funds.
- B. The Local matching requirements were provided by a transfer from the Road Reconditioning Levy Fund.

We believed that the statutory authority exists through the language of the Road Reconditioning Levy itself which reads: **A RESOLUTION TO PROCEED WITH SUBMISSION OF THE QUESTION OF LEVYING A RENEWAL TAX IN EXCESS OF THE TEN-MILL LIMITATION FOR THE PURPOSE OF PROVIDING FOR GENERAL CONSTRUCTION, RECONSTRUCTION, RESURFACING, AND THE REPAIR OF STREETS AND ROADS WITHIN PERKINS TOWNSHIP AS AUTHORIZED BY SECTION 5705.19(G) OF THE OHIO REVISED CODE**

The purpose of transferring the matching funds to the OPWC fund is to keep the total accounting for the project in one fund.

In the final analysis, we believed the transfer provides a clearer picture of the cost of the entire project without having to go to two different funds and does no harm to the Township. Going forward we will obtain prior approval of the transfer.



Perkins Township

Board of Trustees

Fiscal Officer

Timothy Coleman
 Jeffrey Ferrell
 James Lang
 Diane Schaefer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding first reported in 2012. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2018-001 in this report.	Matters related to finding 2016-001 were corrected during the current audit period. However, additional errors not previously communicated in Finding 2016-001 were noted during the current audit due to deficiencies in the Township's internal controls over financial statement monitoring. The Fiscal Officer will properly report outstanding encumbrances in the budgetary note.
2016-002	Ohio Rev. Code § 5705.10(F) and material weakness for the failure to record proceeds from the sales of permanent improvements to the appropriate funds.	Corrective action taken and finding is fully corrected.	N/A

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OHIO AUDITOR OF STATE KEITH FABER



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
AUGUST 27, 2019**