



**Mary Taylor, CPA**  
Auditor of State



**PERKINS TOWNSHIP  
ERIE COUNTY**

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Township, Erie County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Township, Erie County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Fire and Rescue, and Building Department Commercial Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Mary Taylor, CPA**  
Auditor of State

January 16, 2008

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of the Perkins Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$49,149, or 3 percent, an insignificant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.
- The Township's general receipts are primarily property taxes and intergovernmental. These receipts represent respectively 57 and 27 percent of the total cash received for governmental activities during the year. Property tax and intergovernmental receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township has only one type of activity to report:

Governmental activities – The Township's basic services are reported here, including police, fire and rescue, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are categorized as governmental.



**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Township fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township has three major governmental funds: General, Fire and Rescue and Building Department Commercial Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004:

(Table 1)  
**Net Assets**

<b>Assets</b>	<b>Governmental Activities</b>	
	2005	2004
Cash and Cash Equivalents	<u>\$1,712,376</u>	<u>\$1,663,227</u>
<b>Net Assets</b>		
Restricted For:		
Debt Service		\$ 82,711
Capital Project		41,342
Other Purposes	\$ 812,827	783,859
Unrestricted	<u>899,549</u>	<u>755,315</u>
Total Net Assets	<u>\$1,712,376</u>	<u>\$1,663,227</u>

Net assets of governmental activities increased \$49,149 during 2005. The primary reasons contributing to the cash balances are as follows:

- Decrease in overall expenditures due to less capital outlay and debt service.
- Increase in property tax revenue of \$93,117 and interest revenue of \$47,899.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2  
Changes in Net Assets**

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$1,108,125
Operating Grants and Contributions	587,782
Capital Grants and Contributions	164,178
Total Program Receipts	1,860,085
General Receipts:	
Property Taxes	3,098,521
Other Taxes	841,204
Debt Proceeds	87,270
Grants and Entitlements Not Restricted to Specific Programs	1,131,396
Interest	66,095
Miscellaneous	29,252
Total General Receipts	5,253,738
Total Receipts	7,113,823
Disbursements:	
General Government	854,108
Public Safety	4,516,038
Public Works	1,018,088
Public Health	37,600
Conservation/Recreation	49,516
Capital Outlay	406,012
Principal Retirement	118,753
Interest and Fiscal Charges	64,559
Total Disbursements	7,064,674
Increase In Net Assets	49,149
Net Assets, January 1, 2005	1,663,227
Net Assets, December 31, 2005	\$1,712,376

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Program receipts represent only 26 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, inspection fees, and EMS billing.

General receipts represent 74 percent of the Township's total receipts, and of this amount, over 75 percent are property and other taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (22 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Administrative Department, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 20 percent of General Fund unrestricted receipts.

Public Safety expenses are the costs of police and fire protection; Public Health Services is the cemetery costs; Conservations/Recreation is the costs of maintaining the parks and playing fields; and Public Works is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for Township activities are for Public Safety, Public Works, General Government, Capital Outlay and Debt Service. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$854,108	\$122,520
Public Safety	4,516,038	3,746,527
Public Health Services	1,018,088	667,182
Conservation /Recreation	37,600	29,520
Public Works	49,516	49,516
Capital Outlay	406,012	406,012
Principal Retirement	118,753	118,753
Interest and Fiscal Charges	64,559	64,559
<b>Total Expenses</b>	<b>\$7,064,674</b>	<b>\$5,204,589</b>

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The dependence upon property tax receipts is apparent as over 74 percent of governmental activities are supported through general receipts.

**The Township's Funds**

Total Township funds had receipts and other financing sources of \$7,834,709 and disbursements and other financing uses of \$7,785,560. The greatest change within Township funds occurred within the General Fund. The fund balance of the General Fund increased due to overall receipts that exceeded disbursements.

The increase of \$120,129 in the Fire and Rescue Fund is due mainly to reduced expenditures.

The Building Department Commercial Fund provided a fund for building permit revenue for commercial properties and related expenditures. The increase of \$101,818 in the Building Department Commercial Fund was due to a reduction in expenditures.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were greater than original budgeted receipts due to unexpected growth in tax and intergovernmental receipts.

Final disbursements and other financing uses were budgeted at \$3,876,241 while actual disbursements and other financing uses were \$3,839,899. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The negative variance shown on the statements for Health of \$22,115 is due to an audit adjustment.

**Capital Assets and Debt Administration**

The Township does not keep track of capital assets.

At December 31, 2005, the Township's outstanding debt included \$1,035,000 in an Ohio Township Association lease/purchase agreement issued for land acquisition and \$217,600 in capital leases and installment loans for equipment. For further information regarding the Township's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have a small amount of industry to support the tax base.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pamela Hartung-Kellem, Fiscal Officer, Perkins Township, 5420 Milan Road, Sandusky, OH 44870-5846.

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Net Assets - Cash Basis  
December 31, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,712,376</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	\$812,827
Unrestricted	<u>899,549</u>
<i>Total Net Assets</i>	<u><u>\$1,712,376</u></u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$854,108	\$521,381	\$210,207		(\$122,520)
Public Safety	4,516,038	510,970	\$258,541		(3,746,527)
Public Works	1,018,088	67,694	119,034	164,178	(667,182)
Health	37,600	8,080			(29,520)
Conservation-Recreation	49,516				(49,516)
Capital Outlay	406,012				(406,012)
Debt Service:					
Principal Retirement	118,753				(118,753)
Interest and Fiscal Charges	64,559				(64,559)
<i>Total Governmental Activities</i>	<u>\$7,064,674</u>	<u>\$1,108,125</u>	<u>\$587,782</u>	<u>\$164,178</u>	(5,204,589)
		<b>General Receipts</b>			
		Property Taxes			3,098,521
		Other Taxes			841,204
		Grants and Entitlements not Restricted to Specific Programs			1,131,396
		Debt Proceeds			87,270
		Interest			66,095
		Miscellaneous			29,252
		<i>Total General Receipts</i>			<u>5,253,738</u>
		Change in Net Assets			49,149
		<i>Net Assets Beginning of Year</i>			<u>1,663,227</u>
		<i>Net Assets End of Year</i>			<u>\$1,712,376</u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005*

	<u>General</u>	<u>Fire and Rescue Fund</u>	<u>Building Department Commercial Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$899,549</u>	<u>\$546,238</u>	<u>\$187,000</u>	<u>\$79,589</u>	<u>\$1,712,376</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$16,037	\$2,628		\$81,524	\$100,189
Unreserved:					
Undesignated, Reported in:					
General Fund	883,512				883,512
Special Revenue Funds		543,610	187,000	(1,935)	728,675
<i>Total Fund Balances</i>	<u>\$899,549</u>	<u>\$546,238</u>	<u>\$187,000</u>	<u>\$79,589</u>	<u>\$1,712,376</u>

See accompanying notes to the basic financial statements



**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Fire and Rescue Fund	Building Department Commercial Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$2,147,074	\$1,448,572		\$411,775	\$4,007,421
Charges for Services		471,785			471,785
Licenses, Permits and Fees	274,449		169,407	31,211	475,067
Fines and Forfeitures	46,312			24,030	70,342
Intergovernmental	1,322,061	174,242		383,287	1,879,590
Special Assessments	15,155				15,155
Interest	64,781			1,314	66,095
Other	8,521	5,139		27,438	41,098
<i>Total Receipts</i>	<u>3,878,353</u>	<u>2,099,738</u>	<u>169,407</u>	<u>879,055</u>	<u>7,026,553</u>
<b>Disbursements</b>					
Current:					
General Government	742,723		67,589	43,796	854,108
Public Safety	2,404,272	1,989,908		121,858	4,516,038
Public Works	3,063			1,015,025	1,018,088
Health	22,115			15,485	37,600
Conservation-Recreation	49,516				49,516
Capital Outlay				406,012	406,012
Debt Service:					
Principal Retirement				118,753	118,753
Interest and Fiscal Charges				64,559	64,559
<i>Total Disbursements</i>	<u>3,221,689</u>	<u>1,989,908</u>	<u>67,589</u>	<u>1,785,488</u>	<u>7,064,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>656,664</u>	<u>109,830</u>	<u>101,818</u>	<u>(906,433)</u>	<u>(38,121)</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds				87,270	87,270
Transfers In	15,518	10,299		596,619	622,436
Transfers Out	(577,948)			(44,488)	(622,436)
Advances In	74,225			24,225	98,450
Advances Out	(24,225)			(74,225)	(98,450)
<i>Total Other Financing Sources (Uses)</i>	<u>(512,430)</u>	<u>10,299</u>	<u></u>	<u>589,401</u>	<u>87,270</u>
<i>Net Change in Fund Balances</i>	144,234	120,129	101,818	(317,032)	49,149
<i>Fund Balances Beginning of Year</i>	<u>755,315</u>	<u>426,109</u>	<u>85,182</u>	<u>396,621</u>	<u>1,663,227</u>
<i>Fund Balances End of Year</i>	<u>\$899,549</u>	<u>\$546,238</u>	<u>\$187,000</u>	<u>\$79,589</u>	<u>\$1,712,376</u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2005*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$391,675	\$1,905,513	\$2,147,074	\$241,561
Licenses, Permits and Fees	46,770	216,071	274,449	58,378
Fines and Forfeitures	8844	48,556	46,312	(2,244)
Intergovernmental	353,682	1,133,646	1,322,061	188,415
Special Assessments	0	6,191	15,155	8,964
Interest	4,878	51,437	64,781	13,344
Other	2,627,587	8,521	8,521	
<i>Total receipts</i>	<u>3,433,436</u>	<u>3,369,935</u>	<u>3,878,353</u>	<u>508,418</u>
<b>Disbursements</b>				
Current:				
General Government	923,639	780,469	744,160	36,309
Public Safety	2,507,496	2,455,877	2,413,032	42,845
Public Works	4,500	4,500	3,063	1,437
Health			22,115	(22,115)
Conservation-Recreation	57,447	57,447	55,356	2,091
<i>Total Disbursements</i>	<u>3,493,082</u>	<u>3,298,293</u>	<u>3,237,726</u>	<u>60,567</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(59,646)</u>	<u>71,642</u>	<u>640,627</u>	<u>568,985</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In			15,518	15,518
Transfers Out	(183,159)	(577,948)	(577,948)	
Advances In	24,225	74,225	74,225	
Advances Out			(24,225)	(24,225)
Other Financing Sources	285	15,518		(15,518)
<i>Total Other Financing Sources (Uses)</i>	<u>(158,649)</u>	<u>(488,205)</u>	<u>(512,430)</u>	<u>(24,225)</u>
<i>Net Change in Fund Balance</i>	(218,295)	(416,563)	128,197	544,760
<i>Fund Balance Beginning of Year</i>	748,316	748,316	748,316	
Prior Year Encumbrances Appropriated	6,999	6,999	6,999	
<i>Fund Balance End of Year</i>	<u>\$537,020</u>	<u>\$338,752</u>	<u>\$883,512</u>	<u>\$544,760</u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Fire and Rescue Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes		\$1,176,671	\$1,448,572	\$271,901
Charges for Services	204,920	316,991	471,785	154,794
Intergovernmental		116,280	174,242	57,962
Other	1,436,144	30,742	5,139	(25,603)
<i>Total receipts</i>	<u>1,641,064</u>	<u>1,640,684</u>	<u>2,099,738</u>	<u>459,054</u>
<b>Disbursements</b>				
Current:				
General Government	6,180			
Public Safety	2,343,136	2,607,516	1,992,536	614,980
Capital Outlay	184,627	184,627		184,627
<i>Total Disbursements</i>	<u>2,533,943</u>	<u>2,792,143</u>	<u>1,992,536</u>	<u>799,607</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>(892,879)</u>	<u>(1,151,459)</u>	<u>107,202</u>	<u>1,258,661</u>
<b>Other Financing Sources</b>				
Transfers In			10,299	10,299
Other Financing Sources		6,873		(6,873)
<i>Total Other Financing Sources</i>		<u>6,873</u>	<u>10,299</u>	<u>3,426</u>
<i>Net Change in Fund Balance</i>	(892,879)	(1,144,586)	117,501	1,262,087
<i>Fund Balance Beginning of Year</i>	425,401	425,401	425,401	
Prior Year Encumbrances Appropriated	708	708	708	
<i>Fund Balance End of Year</i>	<u>(\$466,770)</u>	<u>(\$718,477)</u>	<u>\$543,610</u>	<u>\$1,262,087</u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Building Department Commercial Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Licenses, Permits and Fees	\$ 86,971	\$ 90,971	\$ 169,407	\$ 78,436
<b>Disbursements</b>				
Current:				
General Government	176,137	176,137	67,589	108,548
<i>Excess of Receipts Over/(Under) Disbursements</i>	(89,166)	(85,166)	101,818	186,984
 <i>Fund Balance Beginning of Year</i>	 85,182	 85,182	 85,182	
 <i>Fund Balance End of Year</i>	 <u>(\$3,984)</u>	 <u>\$16</u>	 <u>\$187,000</u>	 <u>\$186,984</u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

*Statement of Cash Basis Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2005*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$840</u>
<i>Total Assets</i>	<u><u>\$840</u></u>
<b>Net Assets</b>	
Other Purposes	<u><u>\$840</u></u>

See accompanying notes to the basic financial statements

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 1 – REPORTING ENTITY**

Perkins Township, Erie County, Ohio (the Township), is a body politic and corporate to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, including park operations (leisure time activities), maintenance of Township roads and bridges, cemetery maintenance, police protection, fire protection and emergency medical services.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions

The statement of net assets presents the cash balance and debt of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or activity is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Fire and Rescue Fund and the Building Department Commercial Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The Fire and Rescue Fund is used to account for the maintenance of fire apparatus, buildings, water supplies, payment of firefighters/EMS/paramedics and to operate emergency medical services by the department.

The Building Department Commercial Fund is used to account for the collection of and disbursements relating to commercial building permits issued by the township.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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 does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund receives 3 percent of all commercial building permits which is remitted to the State of Ohio.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.



**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

The Township did not properly certify the availability of funds prior to expenditures being incurred as required by the Ohio Revised Code.

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

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit, a money market mutual fund, and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost. The Township’s money market mutual fund investment is recorded at the amount reported by Smith Barney Citigroup on December 31, 2005.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$64,781 which includes \$32,378 assigned from other Township funds.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**H. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Long-Term Obligations**

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road and bridges, cemeteries, fire and rescue and street lighting.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. .

**NOTE 3 – CHANGE IN FINANCIAL STATEMENT PRESENTATION**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

**NOTE 4 – COMPLIANCE**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Building Department Residential Fund by \$43,796 for the year ended December 31, 2005 and the Ohio Public Works Commission Fund by \$150,762. Also contrary to Ohio law, at December 31, 2005, the Fire and Rescue Fund had appropriations in excess of estimates resources of \$718,477 and the Building Department Township Fund of \$49,393.

**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, fire and rescue and building department commercial funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$16,037 for the general fund and \$2,628 for the fire and rescue fund.

**NOTE 6 – DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had \$30 in undeposited cash on hand which is included as part of *“Equity in Pooled Cash and Cash Equivalents”* on the financial statements.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

Deposits

At December 31, 2005, the carrying amount of all Township was \$529,723. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$335,188 of the Township's bank balance of \$652,188 was exposed to custodial risk as discussed below, while \$317,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. Deposits of \$335,188 were collateralized by specific pledged collateral held at the Federal Reserve Bank in the name of the Township. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township's Investment Policy requires the Fiscal Officer to comply with state statute when acquiring investments and also states that unless matched to a specific cash flow requirement, the Fiscal Officer will not directly invest in securities maturing more than two years from the date of purchase.

As of December 31, 2005, the Township had the following investments:

Investment Type	Carrying Value	Less than 1 Year Maturity
STAR Ohio	\$1,180,060	\$1,180,060
Money Market Mutual Fund	3,403	3,403
Total Investments	\$1,183,463	\$1,183,463

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's and the money market fund is unrated. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**NOTE 7 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. Taxes paid semi-annually are due January 31, with the remainder payable by July 31. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was 10.2 mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 7 – PROPERTY TAXES – (CONTINUED)**

Real Property	
Residential & Agriculture	\$ 204,249,910
Commercial/Industrial	114,000,450
Public Utility Property	
Real	137,820
Personal	10,663,310
Tangible Personal Property	54,277,300
Total Assessed Value	<u>\$ 383,328,790</u>

**NOTE 8 – CAPITAL ASSETS**

The Township chooses not to report and depreciate capital assets resulting from cash transactions in the financial statements and elects not to report capital asset activities in the notes to the financial statements.

**NOTE 9 – RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$285,142. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.



**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 – RISK MANAGEMENT – (CONTINUED)**

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Township Contributions to OTARMA</u></b>	
2003	\$127,254
2004	\$133,623
2005	\$142,571

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of 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 was incurred or reported prior to the withdrawal.

**NOTE 10 – DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contribution vest over five years at 20 percent per year). Under the member directed plan members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plan. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-46422 or by calling (614) 222-6705 or (800)-222-2377.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

For the year ending December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contribution.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003, were \$224,799, \$188,247, and \$175,618 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**B. Ohio Police and Fire Pension Fund**

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the fund for the years ended December 31, 2005, 2004, and 2003, were \$171,234, \$177,231, and \$185,014 respectively. The full amount has been contributed for 2005, 2004, and 2003.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$81,666. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability and unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the fund of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total firefighter contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund postemployment benefits were \$81,666 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 12 – DEBT**

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 1/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/3/2005</u>	<u>Due Within One Year</u>
Ohio Township Association Lease Purchase Agreement	2-5.5%	\$1,070,000		\$35,000	\$1,035,000	\$35,000
Lease/Purchase - Vactor	4.74%	140,168		44,576	95,592	46,689
Lease/Purchase - Tymco	3.65%	76,169		24,485	51,684	25,379
Installment Loan - National City	6.74%		\$ 24,406	5,648	18,758	8,678
Installment Loan - National City	6.41%		31,432	5,649	25,783	10,188
Installment Loan - National City	6.41%		31,432	5,649	25,783	10,188
Total		<u>\$1,286,337</u>	<u>\$ 87,270</u>	<u>\$121,007</u>	<u>\$1,252,600</u>	<u>\$136,122</u>

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

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

The Township entered into three installment loans with National City in the amounts of \$31,432, \$31,432, and \$24,406 for the purchase of three vehicles for the police department.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 12 – DEBT – (CONTINUED)**

The following is a summary of the Township's future annual debt service requirements, including interest:

Year ending December 31:	Ohio Township Association Lease/Purchase	Vactor Lease/Purchase	Tymco Lease/Purchase	National City Installment Loan	National City Installment Loan	National City Installment Loan
2006	\$87,213	\$51,220	\$27,265	\$9,759	\$11,545	\$11,545
2007	86,303	51,220	27,265	8,258	11,545	11,545
2008	90,165			2,248	4,805	4,805
2009	88,485					
2010	86,805					
2011 - 2015	439,013					
2016 - 2020	438,637					
2021 - 2024	357,000					
Total	<u>\$1,673,621</u>	<u>\$102,440</u>	<u>\$54,530</u>	<u>\$20,265</u>	<u>\$27,895</u>	<u>\$27,895</u>

The Township did not exceed the 5.5% of the tax valuation of the Township for unvoted obligations debt for 2005 per the Ohio Revised Code.

**NOTE 13 – INTERFUND TRANSFERS**

During 2006 the following transfers were made:

Transfers from:	Transfer to:	Amount
General Fund	Other Governmental Funds	\$577,948
Other Governmental Funds	General Fund	15,518
Other Governmental Funds	Fire and Rescue Fund	10,299
Other Governmental Funds	Other Governmental Funds	18,671
Total		<u>\$622,436</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and some reclassifications of monies to the proper funds.

**NOTE 14 – CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 14 – CONTINGENT LIABILITIES – (CONTINUED)**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Township, Erie County, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated January 16, 2008, in which we disclosed the Township prepares its financial statements on the cash basis of accounting. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item, 2005-005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated January 16, 2008, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-004. In a separate letter to the Township's management dated January 16, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 16, 2008



**PERKINS TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2005-001**

**Noncompliance Finding**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds' budgetary expenditures exceeded amounts appropriated in fiscal year 2005:

Fiscal Year 2005	Appropriation Authority	Budgetary Expenditures	Variance
Building Department - Residential		\$ 43,796	\$ (43,796)
Ohio Public Works Commission	\$ 198,089	348,851	(150,762)

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

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

**FINDING NUMBER 2005-002**

**Noncompliance Finding**

Ohio Revised Code § 5705.39 states in part that the total appropriations from each fund shall not exceed the total estimated revenue available for expenditure there from, as certified by the budget commission, or in the case of appeals, the board of tax appeals.

The following funds' appropriations exceeded estimated resources in fiscal year 2005:

Fund	Total Certified Resources	Total Appropriations	Variance
Fire and Rescue	\$ 2,072,958	\$ 2,791,435	\$ (718,477)
Building Department Township	6,548	55,941	(49,393)

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

Actual Receipts were not sufficient to permit the Township to obtain an amended certificate of estimated resources and supplemental appropriations. The failure to limit amounts appropriated to estimated resources could result in deficit fund balances.

**FINDING NUMBER 2005-003**

**Noncompliance Finding**

Ohio Revised Code § 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. Ohio law provides that monies in a road and bridge fund may be legally expended for the construction, reconstruction, resurfacing and repair of roads and bridges. Additionally, other indirect items that directly relate to these purposes have been held to be proper expenditures from a township road and bridge fund.

During 2005, Perkins Township expended \$22,115 from the Road and Bridge Fund to pay the Fiscal Officer's cemetery sexton salary. As stated above, money paid into any fund shall be used only for the purposes for which such fund is established. The service of the Fiscal Officer as cemetery sexton is not an acceptable expenditure from the Road and Bridge fund.

To reflect this expenditure out of the proper fund, the following audit adjustment has been made to the financial statements.

Fund	Fund Balance 12/31/2005	Adjustment	Adjusted Fund Balance 12/31/2005
General Fund	\$ 921,664	\$ (22,115)	\$ 899,549
Road and Bridge Fund	22,134	22,115	44,249

We informed management that the practice of paying salaries or any other costs from a fund not related to those costs could cause material misstatements in the financial statements. It also could cause unallowable expenditures that the Township might not have the resources to make the proper adjustment when discovered at a later date.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: [http://uanlink.auditor.state.oh.us/pdf/uan\\_win\\_software/AccountingManual.pdf](http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf).

**FINDING NUMBER 2005-004**

**Noncompliance Finding**

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2005-004  
(Continued)**

- A. “Then and Now” certificate** - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that he is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate** – Fiscal officers may prepare “blanket certificates” for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify 27 percent of expenditures tested prior to the purchase commitment and there was no evidence the Township followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which § 5704.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

## FINDING NUMBER 2005-005

### Reportable Condition

#### Financial Reporting

We found several errors requiring adjustment to the financial statements. The Fiscal Officer did not record 2005 estate tax settlement fees of \$17,493 as receipts or disbursements in the General Fund and also incorrectly recorded \$8,964 in the General Fund as tax receipts rather than special assessment receipts. The Fiscal Officer incorrectly recorded \$16,511 in the Remaining Fund Information as tax receipts rather than intergovernmental.

In addition, the Fiscal Officer incorrectly posted the debt repayment of principal of \$83,753 and interest of \$12,397 to expense functions public works and public safety in the Remaining Fund Information. Also, in 2005 the Fiscal Officer failed to record in the Remaining Fund Information the correct debt revenue of \$87,270 and an expense to public safety of \$8,778, the entry was posted as sale of bonds at \$96,048.

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

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Township Trustees, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the UAN accounting manual at the following web site address for guidance on the posting of transactions: [http://uanlink.auditor.state.oh.us/pdf/uan\\_win\\_software/AccountingManual.pdf](http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf).

#### Officials Response:

We did not receive a response to the findings noted above.

**PERKINS TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2004-001	Ohio Revised Code §5705.41 (B) – not to expend money prior to being appropriated	No	Repeated in this report as finding 2005-001.
2004-002	Ohio Revised Code §5705.39 – appropriations not to exceed estimated revenue	No	Repeated in this report as finding 2005-002.





**Mary Taylor, CPA**  
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  
FEBRUARY 7, 2008**