



Mary Taylor, CPA
Auditor of State

PERKINS TOWNSHIP
ERIE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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June 4, 2009

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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 Perkins Township, Erie County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Perkins Township, Erie County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in note 2 to the financial statements, during 2007 the Township changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2009, 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 audits.



Mary Taylor, CPA
Auditor of State

June 4, 2009

**PERKINS TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:						
Property and Other Local Taxes	\$1,981,415	\$1,742,845				\$3,724,260
Charges for Services		583,162				583,162
Licenses, Permits, and Fees	309,398	153,947			\$4,645	467,990
Fines and Forfeitures	36,160	42,744				78,904
Intergovernmental	1,247,977	833,298		\$174,955		2,256,230
Special Assessments		38,109				38,109
Earnings on Investments	35,548	5,948				41,496
Miscellaneous	44,663	34,375				79,038
Total Cash Receipts	<u>3,655,161</u>	<u>3,434,428</u>		<u>174,955</u>	<u>4,645</u>	<u>7,269,189</u>
Cash Disbursements:						
Current:						
General Government	602,512	136,714			4,825	744,051
Public Safety	1,998,902	2,705,849				4,704,751
Public Works	9,391	696,784				706,175
Health		16,726				16,726
Conservation - Recreation	28,586	84,115				112,701
Capital Outlay		21,919	\$750	621,515		644,184
Debt Service:						
Redemption of Principal		14,973	40,000			54,973
Interest and Other Fiscal Charges		2,558	47,979			50,537
Total Cash Disbursements	<u>2,639,391</u>	<u>3,679,638</u>	<u>88,729</u>	<u>621,515</u>	<u>4,825</u>	<u>7,034,098</u>
Total Receipts Over/(Under) Disbursements	<u>1,015,770</u>	<u>(245,210)</u>	<u>(88,729)</u>	<u>(446,560)</u>	<u>(180)</u>	<u>235,091</u>
Other Financing Receipts / (Disbursements):						
Sale of Bonds		350,000				350,000
Transfers-In		34,869	88,729	457,893		581,491
Transfers-Out	(565,122)	(16,369)				(581,491)
Advances-In	26,750	37,620				64,370
Advances-Out	(37,620)	(26,750)				(64,370)
Other Financing Sources		91				91
Other Financing Uses	(91)					(91)
Total Other Financing Receipts / (Disbursements)	<u>(575,992)</u>	<u>379,370</u>	<u>\$88,729</u>	<u>457,893</u>		<u>350,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	439,778	134,160		11,333	(180)	585,091
Fund Cash Balances, January 1	<u>305,563</u>	<u>696,327</u>			<u>1,344</u>	<u>1,003,234</u>
Fund Cash Balances, December 31	<u>\$745,341</u>	<u>\$830,487</u>		<u>\$11,333</u>	<u>\$1,164</u>	<u>\$1,588,325</u>
Reserve for Encumbrances, December 31	<u>\$221,736</u>	<u>\$194,879</u>	<u>\$0</u>	<u>\$11,333</u>	<u>\$325</u>	<u>\$428,273</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Property and Other Local Taxes	\$2,005,484	\$1,735,117			\$3,740,601
Charges for Services		505,168			505,168
Licenses, Permits, and Fees	296,336	145,874		\$4,551	446,761
Fines and Forfeitures	36,905	17,195			54,100
Intergovernmental	822,500	581,156			1,403,656
Special Assessments	8,303	13,835			22,138
Earnings on Investments	58,338	5,876			64,214
Miscellaneous	49,816	35,051			84,867
	<u>3,277,682</u>	<u>3,039,272</u>		<u>4,551</u>	<u>6,321,505</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	626,189	182,772		4,777	813,738
Public Safety	2,177,641	2,192,761			4,370,402
Public Works	6,296	756,755			763,051
Health	20,281	12,498			32,779
Human Services		943			943
Conservation - Recreation	38,077	20,821			58,898
Capital Outlay		72,368	\$750		73,118
Debt Service:					
Redemption of Principal		104,782	35,000		139,782
Interest and Other Fiscal Charges		5,314	50,553		55,867
	<u>2,868,484</u>	<u>3,349,014</u>	<u>86,303</u>	<u>4,777</u>	<u>6,308,578</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>409,198</u>	<u>(309,742)</u>	<u>(86,303)</u>	<u>(226)</u>	<u>12,927</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		367,660	86,303		453,963
Transfers-Out	(453,961)				(453,961)
Advances-In		9,851			9,851
Advances-Out	(9,851)				(9,851)
Other Financing Uses	(31)				(31)
	<u>(463,843)</u>	<u>377,511</u>	<u>\$86,303</u>		<u>(29)</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(54,645)	67,769		(226)	12,898
Fund Cash Balances, January 1	360,208	628,558		1,570	990,336
Fund Cash Balances, December 31	<u>\$305,563</u>	<u>\$696,327</u>		<u>\$1,344</u>	<u>\$1,003,234</u>
Reserve for Encumbrances, December 31	<u>\$61,734</u>	<u>\$41,523</u>	<u>\$0</u>	<u>\$0</u>	<u>\$103,257</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Perkins Township, Erie County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, police and fire protection and emergency medical services.

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

Jointly Governed Organization:

Sand Hill Township Cemetery provides cemetery maintenance to its members.

Public Entity Risk Pool:

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

3. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant Capital Project Fund:

Issue II Fund – This fund receives proceeds from State Issue II monies and local matching funds which were used to repave portions of Michigan Avenue, Bell Avenue, Boardwalk, and Peterson Lane.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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 three percent of commercial building fees that are collected and remitted to the State.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2008 and 2007 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. CHANGES IN FINANCIAL STATEMENT PRESENTATION

In 2006, the Township reported financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2007, the Township reported on a regulatory basis. The Township no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with nonmajor funds aggregated and presented in a single column.

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$817,060	\$396,550
Certificates of deposit	248,000	242,000
Other time deposits (savings and NOW accounts)		
Total deposits	<u>1,065,060</u>	<u>638,550</u>
STAR Ohio	515,683	364,201
Money Market Fund	7,582	483
Total investments	<u>523,265</u>	<u>364,684</u>
Total deposits and investments	<u>\$1,588,325</u>	<u>\$1,003,234</u>

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,628,910	\$3,682,002	\$53,092
Special Revenue	3,908,952	3,856,917	(52,035)
Debt Service	88,729	88,729	
Capital Projects	633,000	632,848	(152)
Fiduciary	4,440	4,645	205
Total	\$8,264,031	\$8,265,141	\$1,110

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,753,214	\$3,463,960	\$289,254
Special Revenue	4,371,039	3,917,636	453,403
Debt Service	88,729	88,729	
Capital Projects	633,000	632,848	152
Fiduciary	5,720	5,150	570
Total	\$8,851,702	\$8,108,323	\$743,379

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,241,508	\$3,277,682	\$36,174
Special Revenue	3,753,395	3,416,783	(336,612)
Debt Service	86,303	86,303	
Fiduciary	4,120	4,551	431
Total	\$7,085,326	\$6,785,319	(\$300,007)

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,629,554	\$3,394,061	\$235,493
Special Revenue	4,007,759	3,390,537	617,222
Debt Service	86,303	86,303	
Fiduciary	5,690	4,777	913
Total	\$7,729,306	\$6,875,678	\$853,628

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Township Association Lease		
Purchase Agreement	\$925,000	2.00% - 5.50%
Fire Truck Bond	344,719	4.05%
Total	\$1,269,719	

The Fire Truck Bond proceeds were used to finance the purchase a fire truck and related equipment. A lien on the fire truck acquired with the proceeds collateralizes the bond.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT (Continued)

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.

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

	Ohio Township Association <u>Lease/Purchase</u>	Fire Truck <u>Bond</u>
Year ending December 31:		
2009	\$88,486	\$77,544
2010	86,806	77,544
2011	90,124	77,544
2012	87,988	77,544
2013	85,850	71,082
2014-2018	437,526	
2019-2023	442,740	
2024	90,426	
Total	<u>\$1,409,946</u>	<u>\$381,258</u>

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). The Township's full time certified police officers belong to the Ohio Public Employees Retirement System – Law Enforcement (OPERS-LE). Other employees belong to the Ohio Public Employees Retirement System - Regular (OPERS-G). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages and the Township contributed an amount equaling 24% of full-time fire fighters' wages. For 2008 and 2007, OPERS-LE members contributed 10.10% of their gross salaries and the Township contributed an amount equaling 17.40 and 17.17%, respectively, of participants' gross salaries. For 2008 and 2007, OPERS-G members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

**PERKINS TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT (Continued)

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$127,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2006	\$145,095
2007	\$145,218
2008	\$135,387

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. CONTINGENT LIABILITIES

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
DECEMBER 31, 2008 AND 2007
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS

Perkins, Groton, Oxford, and Margaretta Townships each appoint a member to the Board of Trustees of the Sand Hill Cemetery Association. The Cemetery Association provides grounds maintenance, opening and closing of graves, and the sale of lots. The Township contributed \$800 to the Cemetery Association for the years 2008 and 2007.

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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 Perkins Township, Erie County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 4, 2009 wherein we noted the Township began preparing its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 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 conducted our audits 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 audits, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 audits and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance that we reported to the Township's management in a separate letter dated June 4, 2009.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 4, 2009

**PERKINS TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code § 5705.10(H), expenditures charged to improper fund.	Yes	
2006-002	Ohio Revised Code § 5705.41 (D)(1), expenditures not certified in advance.	Yes	
2006-003	Material weakness, financial reporting.	Yes	



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
JULY 7, 2009**