



**Auditor of State
Betty Montgomery**

VILLAGE OF NORTH PERRY
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

Village of North Perry
Lake County
4449 Lockwood Road
Perry, Ohio 44081

To the Village Council:

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 a February 2, 2005 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 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.

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Betty Montgomery
Auditor of State

May 27, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of North Perry
Lake County
4449 Lockwood Road
Perry, Ohio 44081

To the Village Council:

We have audited the accompanying financial statements of the Village of North Perry, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 Village 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 Village 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 opinion.

As described more fully in Note 1, the Village 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require village's to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year 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 the Village of North Perry, Lake County, Ohio, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village 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 May 27, 2005, on our consideration of the Village'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.



Betty Montgomery
Auditor of State

May 27, 2005

**VILLAGE OF NORTH PERRY
LAKE 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, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
Cash Receipts:					
Property Tax and Other Local Taxes	\$604,459	\$0	\$0	\$0	\$604,459
Municipal Income Tax	6,046	0	1,434,247	0	1,440,293
Intergovernmental Receipts	660,293	26,228	0	0	686,521
Charges for Services	3,092	0	0	1,100	4,192
Fines, Licenses, and Permits	8,769	0	0	0	8,769
Earnings on Investments	316,302	30,629	0	0	346,931
Miscellaneous	10,640	0	0	0	10,640
Total Cash Receipts	1,609,601	56,857	1,434,247	1,100	3,101,805
Cash Disbursements:					
Current:					
Security of Persons and Property	167,844	0	0	0	167,844
Public Health Services	105,514	0	0	0	105,514
Leisure Time Activities	505,628	0	0	1,200	506,828
Community Environment	72,786	0	0	0	72,786
Basic Utility Services	228,386	0	0	0	228,386
Transportation	0	22,255	9,200	0	31,455
General Government	377,089	0	0	0	377,089
Capital Outlay	0	0	141,262	0	141,262
Total Cash Disbursements	1,457,247	22,255	150,462	1,200	1,631,164
Total Receipts Over/(Under) Disbursements	152,354	34,602	1,283,785	(100)	1,470,641
Other Financing Receipts and (Disbursements):					
Other Financing Uses	(58,220)	0	0	0	(58,220)
Total Other Financing Receipts/(Disbursements)	(58,220)	0	0	0	(58,220)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	94,134	34,602	1,283,785	(100)	1,412,421
Fund Cash Balances, January 1, 2004	7,116,557	2,031,734	3,619,345	4,193	12,771,829
Fund Cash Balances, December 31, 2004	\$7,210,691	\$2,066,336	\$4,903,130	\$4,093	\$14,184,250
Reserves for Encumbrances, December 31, 2004	\$16,847	\$24,805	\$0	\$0	\$41,652

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

**VILLAGE OF NORTH PERRY
LAKE 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, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Agency Fund	
Cash Receipts:					
Property Tax and Other Local Taxes	\$624,192	\$0	\$0	\$0	\$624,192
Municipal Income Tax	16,434	0	1,572,147	0	1,588,581
Intergovernmental Receipts	668,911	24,311	0	0	693,222
Charges for Services	2,804	0	0	4,700	7,504
Fines, Licenses, and Permits	13,835	0	0	0	13,835
Earnings on Investments	330,045	66,682	0	0	396,727
Miscellaneous	343	0	0	0	343
Total Cash Receipts	1,656,564	90,993	1,572,147	4,700	3,324,404
Cash Disbursements:					
Current:					
Security of Persons and Property	120,960	0	10,185	0	131,145
Public Health Services	97,575	0	0	0	97,575
Leisure Time Activities	494,024	0	0	4,620	498,644
Community Environment	55,696	0	0	0	55,696
Basic Utility Services	230,131	0	0	0	230,131
Transportation	0	249,682	7,167	0	256,849
General Government	362,082	0	0	0	362,082
Capital Outlay	0	0	63,579	0	63,579
Total Cash Disbursements	1,360,468	249,682	80,931	4,620	1,695,701
Total Receipts Over/(Under) Disbursements	296,096	(158,689)	1,491,216	80	1,628,703
Other Financing Receipts and (Disbursements):					
Other Financing Uses	(1,875)	0	0	0	(1,875)
Total Other Financing Receipts/(Disbursements)	(1,875)	0	0	0	(1,875)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	294,221	(158,689)	1,491,216	80	1,626,828
Fund Cash Balances, January 1, 2003	6,822,336	2,190,423	2,128,129	4,113	11,145,001
Fund Cash Balances, December 31, 2003	\$7,116,557	\$2,031,734	\$3,619,345	\$4,193	\$12,771,829
Reserves for Encumbrances, December 31, 2003	\$67,961	\$577,887	\$11,647	\$0	\$657,495

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

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 the Village of North Perry, Lake County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations (leisure-time activities), rubbish collection, zoning, road maintenance, cable television, and police services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and U.S. Treasury Notes. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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.

2. Special Revenue Fund

This fund accounts for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project funds:

Capital Improvement Fund I - This fund receives proceeds from municipal income taxes. The proceeds are used to construct projects that are less than \$100,000.

Capital Improvement Fund II - This fund receives proceeds from municipal income taxes. The proceeds are used to construct projects that are greater than or equal to \$100,000.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Rental Deposit Fund - This fund is used to account for security deposits received and returned for the rental of the Village Hall.

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 or function level of control for the General Fund or the fund level for all other funds, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Village 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. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$1,810,371	\$2,075,159
Money market accounts	2,686,479	1,725,814
Certificates of deposit	5,095,328	3,789,023
Total deposits	9,592,178	7,589,996
U.S. Treasury Notes	3,752,579	3,653,160
STAR Ohio	839,493	1,528,673
Total investments	4,592,072	5,181,833
Total deposits and investments	\$14,184,250	\$12,771,829

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,538,068	\$1,609,601	\$71,533
Special Revenue	78,000	56,857	(21,143)
Capital Projects	1,550,000	1,434,247	(115,753)
Fiduciary	7,270	1,100	(6,170)
Total	\$3,173,338	\$3,101,805	(\$71,533)

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,249,886	\$1,532,314	\$1,717,572
Special Revenue	1,158,587	47,060	1,111,527
Capital Projects	3,111,647	150,462	2,961,185
Fiduciary	10,200	1,200	9,000
Total	<u>\$7,530,320</u>	<u>\$1,731,036</u>	<u>\$5,799,284</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,386,698	\$1,656,564	\$269,866
Special Revenue	0	90,993	90,993
Capital Projects	0	1,572,147	1,572,147
Fiduciary	7,000	4,700	(2,300)
Total	<u>\$1,393,698</u>	<u>\$3,324,404</u>	<u>\$1,930,706</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,547,210	\$1,430,304	\$2,116,906
Special Revenue	2,017,957	827,569	1,190,388
Capital Projects	2,050,900	92,578	1,958,322
Fiduciary	10,860	4,620	6,240
Total	<u>\$7,626,927</u>	<u>\$2,355,071</u>	<u>\$5,271,856</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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 Village.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a 100 percent credit on the income earned outside the Village and paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Central Collection Agency (CCA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The tax is collected by CCA and remitted to the Village monthly.

6. MUNICIPAL INCOME TAX DISTRIBUTION

In 2002, the Village began receiving money distributed from the income tax paid by electric companies to the State of Ohio in accordance with ORC Section 5745. These monies are reported as "Municipal Income Tax" in the accompanying financial statements.

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides health insurance, dental and life insurance coverage to full-time employees through a private carrier.

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Auditor of State Betty Montgomery

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

Village of North Perry
Lake County
4449 Lockwood Road
Perry, Ohio 44081

To the Village Council:

We have audited the financial statements of the Village of North Perry, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated May 27, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village 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 Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 State's *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated May 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated May 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of North Perry
Lake County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2005



**Auditor of State
Betty Montgomery**

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VILLAGE OF NORTH PERRY

LAKE 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
JUNE 28, 2005**