

VILLAGE OF PERRY

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2010 and 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Village Council
Village of Perry
3758 Center Road
P.O. Box 100
Perry, Ohio 44081

We have reviewed the *Report of Independent Accountants* of the Village of Perry, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Find for Recovery – Repaid Under Audit

Employees of the Village of Perry earn vacation at various rates. Employees may accrue vacation hours based on the number of years of service and those hours need to be used in the following year. Unused vacation is paid out at termination based on a formula using number of days that have passed in the year of termination.

On May 14, 2010 a check was made payable to Mr. Ronald Steele for his accumulated but unused vacation time. Mr. Steele was entitled to 32.64 hours of unused vacation time based on the formula in the employee handbook. Mr. Steele was inadvertently paid for 62.64 hours.

A recalculation of Mr. Steele's actual payout and the amount he was entitled to is as follows:

Actual payout	\$1199
Correct payout	\$ 567
Amount overpaid	\$ 632

On May 14, 2010, Ronald Steele left the employment of the Village of Perry and was compensated \$1,251 for his regular hours and \$1,199 for his unused vacation. However, a recalculation of the value of the severance pay-out disclosed Mr. Steele should have been compensated \$ 567. As a result Mr. Steele was overcompensated \$632.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Sec. 117.28, a finding for Recovery for public monies illegally expended is hereby issued against Ronald Steele in the amount of \$632 and in favor of the Village of Perry.

This error was brought to the attention of the Fiscal Officer and on June 27, 2011 the Fiscal Officer, Linda Hofer, repaid the Village \$631.83 with check number 3659.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Perry is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

July 28, 2011

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**VILLAGE OF PERRY
LAKE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2010 and 2009**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Perry
Lake County
3758 Center Road, P.O. Box 100
Perry, Ohio 44081

To the Village Council:

We have audited the accompanying financial statements of the Village of Perry, Lake County, Ohio (the Village), as and for the years ended December 31, 2010 and 2009. 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. We believe that 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.

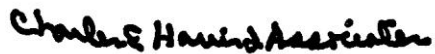
Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 and 2009. While the Village does not follow GAAP, generally accepted auditing standards require 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 governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its 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.

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, 2010 and 2009, 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, 2010 and 2009, 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 of the Village of Perry, Lake County as of December 31, 2010 and 2009 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 years ended December 31, 2010 and 2009. 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 June 15, 2011, 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 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.



Charles E. Harris & Associates, Inc.

June 15, 2011

VILLAGE OF PERRY
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types				Total Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	
Receipts:					
Property and Local Taxes	\$ 77,549	\$ 40,076	-	-	\$ 117,625
Municipal Income Taxes	294,636	-	-	-	294,636
Intergovernmental	270,621	90,377	-	-	360,998
Special Assessments	-	30,607	-	-	30,607
Fines, Licenses and Permits	21,091	1,885	-	-	22,976
Earnings on Investments	3,058	265	-	-	3,323
Miscellaneous	7,815	-	\$ 80,972	-	88,787
Total Receipts	674,770	163,210	80,972	-	918,952
Disbursements:					
Current:					
Security of Persons & Property	550,873	36,009	-	-	586,882
Public Health Services	15,549	-	-	-	15,549
Leisure Time Activities	16,250	-	-	-	16,250
Community Environment	20,092	-	-	-	20,092
Transportation	157,617	68,540	-	-	226,157
General Government	218,836	1,025	-	-	219,861
Capital Outlay	12,814	2,374	-	\$ 8,552	23,740
Debt Service:					
Redemption of Principal	12,313	-	89,529	-	101,842
Interest and Fiscal Charges	-	-	10,381	-	10,381
Total Disbursements	1,004,344	107,948	99,910	8,552	1,220,754
Total Receipts Over/(Under) Disbursements	(329,574)	55,262	(18,938)	(8,552)	(301,802)
Other Financing Sources/(Uses):					
Transfers-In	-	-	18,938	-	18,938
Transfers-Out	(18,938)	-	-	-	(18,938)
Total Other Financing Sources/(Uses)	(18,938)	-	18,938	-	-
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(348,512)	55,262	-	(8,552)	(301,802)
Fund Cash Balance, January 1, 2010	427,430	83,952	-	8,552	519,934
Fund Cash Balance, December 31, 2010	\$ 78,918	\$ 139,214	\$ -	\$ -	\$ 218,132

See Accompanying Notes to the Financial Statements.

**VILLAGE OF PERRY
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2009**

	Governmental Fund Types			Total Memorandum Only	
	General	Special Revenue	Debt Service		Capital Projects
Receipts:					
Property and Local Taxes	\$ 81,456	\$ 40,302	-	-	\$ 121,758
Municipal Income Taxes	304,693	-	-	-	304,693
Intergovernmental	364,511	87,627	-	\$ 4,900	457,038
Special Assessments	-	29,188	-	-	29,188
Fines, Licenses and Permits	17,587	1,047	-	-	18,634
Earnings on Investments	4,246	1,960	-	-	6,206
Miscellaneous	15,133	-	\$ 80,679	-	95,812
Total Receipts	787,626	160,124	80,679	4,900	1,033,329
Disbursements:					
Current:					
Security of Persons & Property	540,556	32,975	-	-	573,531
Public Health Services	12,761	-	-	-	12,761
Leisure Time Activities	18,520	-	-	-	18,520
Community Environment	10,236	-	-	-	10,236
Transportation	160,875	59,391	-	-	220,266
General Government	265,180	-	-	-	265,180
Capital Outlay	78,786	48,924	-	36,356	164,066
Debt Service:					
Redemption of Principal	-	-	91,943	-	91,943
Interest and Fiscal Charges	-	-	13,830	-	13,830
Total Disbursements	1,086,914	141,290	105,773	36,356	1,370,333
Total Receipts Over/(Under) Disbursements	(299,288)	18,834	(25,094)	(31,456)	(337,004)
Other Financing Sources/(Uses):					
Transfers-In	-	-	25,094	-	25,094
Transfers-Out	(25,094)	-	-	-	(25,094)
Total Other Financing Sources/(Uses)	(25,094)	-	25,094	-	-
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(324,382)	18,834	-	(31,456)	(337,004)
Fund Cash Balance, January 1, 2009	751,812	65,118	-	40,008	856,938
Fund Cash Balance, December 31, 2009	\$ 427,430	\$ 83,952	\$ -	\$ 8,552	\$ 519,934

See Accompanying Notes to the Financial Statements.

**VILLAGE OF PERRY
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
Fiduciary Fund Type
For the Year Ended December 31, 2010**

	Fiduciary Fund Type
	Agency
Receipts:	
Charges for Services	\$ 10
Fines Licenses and Permits	14,485
	14,495
Total Receipts	14,495
Disbursements:	
Contractual Services	14,784
	14,784
Excess of Receipts Over (Under) Disbursements	(289)
Nonoperating Receipts (Disbursements):	
Intergovernmental Receipts	177,250
Other Financing Uses	(177,250)
	-
Total Nonoperating Receipts (Disbursements)	-
Net Receipts Over/(Under) Disbursements	(289)
Fund Balance, January 1, 2010	923
Fund Balance, December 31, 2010	\$ 634

See Accompanying Notes to the Financial Statements.

**VILLAGE OF PERRY
LAKE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
Fiduciary Fund Type
For the Year Ended December 31, 2009**

	Fiduciary Fund Type
	Agency
Receipts:	
Charges for Services	\$ 80
Fines Licenses and Permits	9,319
Total Receipts	9,399
Disbursements:	
Contractual Services	8,821
Excess of Receipts Over (Under) Disbursements	578
Nonoperating Receipts (Disbursements):	
Intergovernmental Receipts	120,257
Other Financing Uses	(120,257)
Total Nonoperating Receipts (Disbursements)	-
Net Receipts Over/(Under) Disbursements	578
Fund Balance, January 1, 2009	345
Fund Balance, December 31, 2009	\$ 923

See Accompanying Notes to the Financial Statements.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Perry, Lake County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government, including maintenance of roads, zoning, and police services. The Village receives fire protection services from the Perry Joint Fire District.

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 basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Village 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. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The investments in Star Ohio (the State Treasurer's investment pool) are valued at amounts reported by the State Treasurer.

The Village values certificates of deposit and repurchase agreements at cost.

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 Funds

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

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

Road and Bridge, Maintenance and Repair Fund – This fund receives personal property tax money for constructing, maintaining, and repairing Village roads and bridges.

Street Lighting Fund – This fund receives property assessment money for constructing, maintaining, repairing, and operating Village street lights.

3. Debt Service Fund

The Debt Service Fund received proceeds from the financing agreement with the Perry Joint Economic Development District (JEDD) and is used to account for the construction of a sewer system.

4. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Sewer Fund – This fund receives monies from Lake County for design and construction of the sanitary sewer improvement project.

5. 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 funds:

Mayor's Court Fund – This fund holds deposits which consist of mayor's court fines and fees. A portion of these revenues are paid to the Village's General Fund and the remainder is remitted to the State of Ohio.

JEDD Income Tax Fund – This fund receives income tax revenue collected from Regional Income Tax Agency received by the Village of Perry that belongs to the JEDD.

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 level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (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 Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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:

	<u>2010</u>	<u>2009</u>
Demand Deposit	\$ 123,633	\$ 217,104
Certificates of Deposit	51,125	209,795
STAR Ohio	44,008	93,958
Total Deposits and Investments	<u>\$ 218,766</u>	<u>\$ 520,857</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions' public entity deposit pools.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2010 and 2009 follows:

2010 Budgeted vs Actual Budgetary Basis Expenditures

Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,225,803	\$ 1,023,282	\$ 202,521
Special Revenue	214,900	107,948	106,952
Debt Service	112,223	99,910	12,313
Capital Projects	8,552	8,552	-
Total	<u>\$ 1,561,478</u>	<u>\$ 1,239,692</u>	<u>\$ 321,786</u>

2010 Budgeted vs Actual Receipts

Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 806,483	\$ 674,770	\$ (131,713)
Special Revenue	154,464	163,210	8,746
Debt Service	112,223	99,910	(12,313)
Capital Projects	10,000	-	(10,000)
Total	<u>\$ 1,083,170</u>	<u>\$ 937,890</u>	<u>\$ (145,280)</u>

2009 Budgeted vs Actual Budgetary Basis Expenditures

Funds	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,475,799	\$ 1,112,008	\$ 363,791
Special Revenue	265,940	141,290	124,650
Debt Service	119,706	105,773	13,933
Capital Projects	44,908	36,356	8,552
Total	<u>\$ 1,906,353</u>	<u>\$ 1,395,427</u>	<u>\$ 510,926</u>

2009 Budgeted vs Actual Receipts

Funds	Budgeted Receipts	Actual Receipts	Variance
General	\$ 702,425	\$ 787,626	\$ 85,201
Special Revenue	204,146	160,124	(44,022)
Debt Service	119,706	105,773	(13,933)
Capital Projects	4,900	4,900	-
Total	<u>\$ 1,031,177</u>	<u>\$ 1,058,423</u>	<u>\$ 27,246</u>

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

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 the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$ 165,398	4.10%
Ohio Public Works Issue II Loan	209,313	0.00%
Total	<u>\$ 374,711</u>	

The General Obligation Bonds in the prior year audit report were overstated by \$53,153 and the OPWC debt was overstated by \$6,156.

The Village of Perry issued a general obligation bond in the amount of \$650,000 on July 1, 2003 on behalf of the JEDD. This bond was issued for the purpose of financing the construction of a sewer system at the JEDD. As explained in the notes, income tax revenue is used to repay the debt, as specified by a financing agreement between the JEDD and the Village.

The Ohio Public Works Issue II Loan, related to water, sanitary and storm sewer line improvements. This no interest loan was issued in 2006 in the amount of \$246,250 and will be repaid semi-annually installments of \$12,312 over 20 years. The first payment was due January 1, 2008.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	General Obligation Bonds	Ohio Public Works Issue II Loan
2011	\$ 81,143	\$ 12,313
2012	80,191	12,313
2013	80,157	12,313
2014	-	12,312
2015	-	12,312
2016-2020	-	61,560
2021-2025	-	61,560
2026-2030	-	24,630
Total	<u>\$ 241,491</u>	<u>\$ 209,313</u>

7. RETIREMENT SYSTEMS

The Village’s law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and 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 2010 and 2009, OP&F participants contributed 10 percent of their wags. The Village contributed an amount equal to 19.5 percent of police participants. OPERS members contributed 10 percent of their wages, respectively. For 2010 and 2009, the Village contributed an amount equaling 14 percent of participants’ gross salaries, respectively. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

The District belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Insurance

PEP retains casualty risk up to \$350,000 per claim, including automobile loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an annual aggregate of \$10,000,000.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

8. RISK MANAGEMENT (Continued)

Property Insurance

Beginning in 2005, Travelers reinsures specific losses exceeding \$500,000 up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$500,000 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 \$600,000,000 per occurrence limit.

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

Financial Position

PEP'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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Retained Earnings	<u>\$21,118,036</u>	<u>\$20,459,329</u>

Based on discussion with PEP, the expected rates PEP 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 PEP each year of the membership. Contributions to PEP were \$23,180 and \$23,861 in 2009 and 2010, respectively.

Members may withdraw in each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of their anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus subsequent year's premium. Also, upon withdrawal, payments of all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year. The District also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

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

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

9. PERRY JOINT ECONOMIC DEVELOPMENT DISTRICT

The Perry Joint Economic Development District was incorporated on August 25, 2000 under the authority of the Ohio Rev. Code Section 715.72 through 715.83. The District was comprised of Perry Township and the Village of Perry. On September 12, 2002, North Perry Village became a member of the District. The District operates under an appointed five-member Board of Directors established in accordance with Ohio Rev. Code Section 715.78(A). The District was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area.

10. PERRY JOINT FIRE DISTRICT

The Perry Joint Fire District was created on September 27, 2002 by a joint resolution passed by Perry Township, Village of Perry, and North Perry Village. The district is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District of which one member is required to be an elected official from each entity. The District provides fire protection and rescue services within the District.

11. CONTINGENT LIABILITIES

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

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

Village of Perry
Lake County
3758 Center Road, P.O. Box 100
Perry, Ohio 44081

To the Village Council:

We have audited the financial statements of the Village of Perry, Lake County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 15, 2011, 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 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-01 and 02.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Village in a separate letter dated June 15, 2011.

We also intend this report solely for the information and use of management, the audit committee, the Village Council and others within the Village. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

June 15, 2011

**VILLAGE OF PERRY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2010 and 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01: Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2010 and 2009, the Village had numerous transactions that were misposted. The following transactions were reclassified:

		2010	
Fund	Account Description	Debit	Credit
General	Fines, Licenses and Permits	\$ 590	
General	Intergovernmental Revenues		\$ 590
General	Property and Other Local Taxes	\$ 4,541	
General	Intergovernmental Revenues		\$ 4,541
General	Miscellaneous Revenue	\$ 5,056	
General	Fines, Licenses and Permits		\$ 5,056
Special Revenue	Security of Persons and Property	\$ 36,009	
Special Revenue	Basic Utility Services		\$ 36,009
Debt Service	Redemption of Principal	\$ 4,159	
Debt Service	Interest Expense		\$ 4,159
Debt Service	Transfer in	\$ 80,972	
Debt Service	Miscellaneous Revenue		\$ 80,972

**VILLAGE OF PERRY
LAKE COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2010 and 2009**

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

FINDING NUMBER 2010-01: Noncompliance and Material Weakness – (Continued)

2009			
Fund	Account Description	Debit	Credit
General	Property and Other Local Taxes	\$ 16,971	
General	Intergovernmental Revenues		\$ 16,971
General	Miscellaneous Revenue	\$ 9,491	
General	Fines, Licenses and Permits		\$ 9,491
General	Miscellaneous Revenue	\$ 45,000	
General	Intergovernmental Revenue		\$ 45,000
General	Capital Outlay	\$ 78,786	
General	General Government		\$ 53,685
General	Intergovernmental		\$ 25,101
Special Revenue	Intergovernmental Revenue	\$ 2,510	
Special Revenue	Property and Other Local Taxes		\$ 2,510
Special Revenue	Security of Persons and Property	\$ 32,975	
Special Revenue	Basic Utility Services		\$ 32,975
Special Revenue	Capital Outlay	\$ 48,923	
Special Revenue	General Government		\$ 48,923
Debt Service	Interest Expense	\$ 15,067	
Debt Service	Other Financing Uses		\$ 15,067
Debt Service	Redemption of Principal	\$ 1,237	
Debt Service	Interest Expense		\$ 1,237
Debt Service	Transfer in	\$ 80,678	
Debt Service	Miscellaneous Revenue		\$ 80,678

We also noted that the debt balances were incorrect in the prior audit report by \$59,309.

We recommend that the receipts and expenditures be recorded in accordance with the classifications found in the Village Officer's Handbook. We also recommend that management regularly check debt balances to their banks and the OPWC to ensure balances are correct.

Management Response:

The Fiscal Officer takes these findings under advisement and will strive to classify to proper accounts and debt in the future. It is management's position that the debt was misstated due an incorrect audit report, not due to incorrect Village records.

VILLAGE OF PERRY
LAKE COUNTY

SCHEDULE OF FINDINGS – (continued)
December 31, 2010 and 2009

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2010-02: Noncompliance/Finding repaid under audit

Employees of the Village earn vacation and sick leave at various rates. Employees may accrue vacation hours based on the number of years of service and those hours need to be used in the following year. Unused vacation is paid out at termination based on a formula using number of days that have passed in the year of termination.

During testing of severance payments, we noted an overpayment of \$632 to an employee upon termination. This amount was paid back to the Village on June 27, 2011. We recommend the Village exercise due care when calculating severance payments to employees to ensure accurate payments. A second employee should review the calculation to ensure accuracy.

This matter was referred to the Auditor of State for resolution.

Management Response:

Management believes this was an isolated incident but will ensure to review all calculations in the future.

STATUS OF PRIOR YEARS' CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2008 and 2007, reported no material citations or recommendations.



Dave Yost • Auditor of State

VILLAGE OF 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
AUGUST 9, 2011