

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Member of Council
Village of Perrysville
131 North Bridge Street
Perrysville, Ohio 44864

We have reviewed the *Independent Accountants' Report* of the Village of Perrysville, Ashland County, prepared by Knox & Knox for the audit period January 1, 2005 through December 31, 2006. 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.

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 *Independent Accountants' Report* 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 *Independent Accountants' Report* 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 Perrysville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2008

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VILLAGE OF PERRYSVILLE
ASHLAND COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Perrysville
Ashland County
133 North Bridge Street
Perrysville OH 44864

We have audited the accompanying financial statements of the Village of Perrysville, Ashland County, as of and for the years ended December 31, 2006 and 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, if any, 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 its 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, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village 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, 2006 and 2005 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, 2006 and 2005, 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 Perrysville, Ashland County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

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 August 27, 2007, 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 do not opine on the internal control over financial reporting or on compliance, that reports 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 *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
August 27, 2007

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
CASH RECEIPTS:				
Property and Other Local Taxes	\$214,593			\$214,593
Intergovernmental Receipts	57,714	\$60,032		117,746
Charges for Services		87,466		87,466
Fines, Licenses, and Permits	1,422			1,422
Other Revenue	3,729	13,025		16,754
	<u>277,458</u>	<u>160,523</u>	<u></u>	<u>437,981</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	104,270	108,592		212,862
Public Health Services	483			483
Leisure Time Activities	1,186			1,186
Transportation	3,410	33,651		37,061
General Government	145,594			145,594
Debt Service				
Principal	9,206		148,000	157,206
Capital Outlay		210,673		210,673
	<u>264,149</u>	<u>352,916</u>	<u>148,000</u>	<u>765,065</u>
Total Cash Disbursements	<u>264,149</u>	<u>352,916</u>	<u>148,000</u>	<u>765,065</u>
Total Receipts Over/(Under) Disbursements	<u>13,309</u>	<u>(192,393)</u>	<u>(148,000)</u>	<u>(327,084)</u>
OTHER FINANCING RECEIPTS				
Sale of Bonds or Notes		184,912	148,000	332,912
		<u>184,912</u>	<u>148,000</u>	<u>332,912</u>
Total Other Financing Receipts		<u>184,912</u>	<u>148,000</u>	<u>332,912</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	13,309	(7,481)		5,828
Fund Cash Balances, January 1	34,244	90,957		125,201
FUND CASH BALANCES, DECEMBER 31	<u>\$47,553</u>	<u>\$83,476</u>	<u></u>	<u>\$131,029</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
CASH RECEIPTS:				
Property and Other Local Taxes	\$203,442			\$203,442
Intergovernmental Receipts	48,166	\$40,355		88,521
Charges for Services		87,733		87,733
Fines, Licenses, and Permits	7,023			7,023
Other Revenue	12,788	7,992		20,780
	<u>271,419</u>	<u>136,080</u>	<u></u>	<u>407,499</u>
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	101,623	72,504		174,127
Public Health Services	513			513
Leisure Time Activities	2,122			2,122
Community Environment	3,406	717		4,123
Transportation		33,853		33,853
General Government	140,501			140,501
Debt Service				
Principal Payments	44,446		168,000	212,446
Interest Payments	978			978
Capital Outlay		37,534		37,534
	<u>293,589</u>	<u>144,608</u>	<u>168,000</u>	<u>606,197</u>
Total Receipts Over/(Under) Disbursements	<u>(22,170)</u>	<u>(8,528)</u>	<u>(168,000)</u>	<u>(198,698)</u>
OTHER FINANCING RECEIPTS				
Sale of Bonds or Notes			168,000	168,000
			<u>168,000</u>	<u>168,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(22,170)	(8,528)		(30,698)
Fund Cash Balances, January 1	56,414	99,485		155,899
FUND CASH BALANCES, DECEMBER 31	<u>\$34,244</u>	<u>\$90,957</u>	<u></u>	<u>\$125,201</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$172,122
Miscellaneous	748
Total Operating Cash Receipts	172,870
OPERATING CASH DISBURSEMENTS:	
Personal Services	63,703
Contractual Services	30,542
Supplies and Materials	41,863
Capital Outlay	126,460
Total Operating Cash Disbursements	262,568
Operating Income/(Loss)	(89,698)
NON-OPERATING CASH RECEIPTS:	
Debt Proceeds	122,464
Total Non-Operating Cash Receipts	122,464
NON-OPERATING CASH DISBURSEMENTS:	
Other Non-Operating Cash Disbursements	(31,163)
Total Non-Operating Cash Disbursements	(31,163)
Excess of Non-Operating Receipts Over/ (Under) Non-Operating Disbursements	91,301
Net Receipts Over/(Under) Disbursements	1,603
Fund Cash Balances, January 1	44,819
FUND CASH BALANCES, DECEMBER 31	\$46,422

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$177,010
Miscellaneous	25,753
Total Operating Cash Receipts	202,763
OPERATING CASH DISBURSEMENTS:	
Personal Services	81,765
Contractual Services	30,848
Supplies and Materials	48,319
Capital Outlay	28,081
Total Operating Cash Disbursements	189,013
Operating Income/(Loss)	13,750
NON-OPERATING CASH RECEIPTS:	
Other Non-Operating Cash Receipts	9,618
Total Non-Operating Cash Receipts	9,618
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service	40,707
Total Non-Operating Cash Disbursements	40,707
Excess of Non-Operating Receipts Over/ (Under) Non-Operating Disbursements	(31,089)
Net Receipts Over/(Under) Disbursements	(17,339)
Fund Cash Balances, January 1	62,158
FUND CASH BALANCES, DECEMBER 31	\$44,819

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Perrysville, Ashland County, (the Village) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police and fire service and a mayor's court.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village had no investments during the audit period.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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:

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Special Revenue Funds

Fireman Safety Fund - This fund receives contract revenues from Green and Hanover Townships which are used to operate the fire department and emergency medical services.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of note indebtedness. The Village had the following debt service fund:

Note Retirement Fund - This fund accumulates resources for the retirement of the Village's revenue and bond anticipation notes.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village has the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the Office, department or division level of control, and appropriations may not exceed estimated resources. The 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.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$ 177,449	\$ 170,020

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$265,115	\$ 277,458	\$12,343
Special Revenue	140,400	345,435	205,035
Debt Service	168,000	148,000	(20,000)
Enterprise	220,000	295,334	75,334
Total	\$793,515	\$1,066,227	\$272,712

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005)**

3. BUDGETARY ACTIVITY (continued)

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$299,360	\$264,149	\$35,211
Special Revenue	180,740	352,916	(172,176)
Debt Service	168,000	148,000	20,000
Enterprise	264,831	293,731	(28,900)
Total	\$912,931	\$1,058,796	(\$145,865)

Fund Type	2005 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$236,210	\$271,418	\$35,208
Special Revenue	118,700	136,079	17,379
Debt Service	218,000	168,000	(50,000)
Enterprise	203,000	212,381	9,381
Total	\$775,910	\$787,878	\$11,968

Fund Type	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$292,625	\$293,589	(\$964)
Special Revenue	218,183	144,608	73,575
Debt Service	218,000	168,000	50,000
Enterprise	265,160	229,720	35,440
Total	\$993,968	\$835,917	\$158,051

Contrary to the Ohio Revised Code, expenditures exceeded appropriations in the Enterprise Fund type and the Special Revenue Fund type for 2006, and in the General Fund for 2005.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half is due the following June 20.

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 Village.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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.

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, 2006 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$71,250	0.00%
Anticipation Notes	148,000	4.21%
Fire Department Equipment	184,912	2.98%
Ohio Water Development Authority	122,464	0.00%
Total	\$526,626	

The Village obtained an Ohio Public Works Commission (OPWC) project loan during 1996 in the amount of \$150,000 for the purpose of improving the Village water system based on mandates from the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, with no interest, over fifteen years. Final maturity on the loan will be in 2016.

The Village obtained Revenue and Bond anticipation notes from Huntington National Bank for the purpose of improving the Village's water system, sewer system, and streets as needed for a major employer of the Village. The street improvement and sewer system notes were originally issued in 1995 in the amounts of \$200,000 and \$115,000, respectively, and the water system note was originally issued in 1996 in the amount of \$635,000. These anticipation notes are being renewed on an annual basis with a portion of the principal being redeemed each year.

The Village borrowed \$122,464 from the Ohio Water Development Authority to be repaid in annual installments of \$6,998 at zero percent interest.

The Village borrowed \$184,912 to purchase a fire truck. The interest rate is 2.98 percent per annum. The annual payments, including interest, are scheduled to be \$75,761.

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

Year ending December 31	Ohio Public Works Commission		
	Principal	Interest	Total
2007	\$7,500		\$7,500
2008	7,500		7,500
2009	7,500		7,500
2010	7,500		7,500
2011	7,500		7,500
2012-2016	33,750		33,750
Total	\$71,250		\$71,250

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

6. DEBT (continued)

Year ending December 31	Anticipation Note		
	Principal	Interest	Total
2007	\$148,000	\$6,230	\$154,230
2008			
2009			
2010			
2011			
2012-2016			
Total	<u>\$148,000</u>	<u>\$6,230</u>	<u>\$154,230</u>

Year ending December 31	Fire Equipment		
	Principal	Interest	Total
2007	\$20,096	\$5,665	\$25,761
2008	20,210	5,551	25,761
2009	20,317	5,444	25,761
2010	20,546	5,215	25,761
2011	21,379	4,382	25,761
2012-2015	82,364	20,680	103,044
Total	<u>184,912</u>	<u>46,937</u>	<u>231,849</u>

Year ending December 31	Ohio Water Development Authority		
	Principal	Interest	Total
2007	\$6,998		\$6,998
2008	6,998		6,998
2009	6,998		6,998
2010	6,998		6,998
2011	6,998		6,998
2012-2016	34,990		34,990
2017-2021	34,990		34,990
2022-2024	17,494		17,494
Total	<u>122,464</u>		<u>122,464</u>

7. RETIREMENT SYSTEM

The Village's full-time law enforcement officer belongs to the Ohio Police and Fire Pension Fund (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. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks.

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement liability; and
- Public officials' liability

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

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KNOX & KNOX

Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village of Perrysville
Ashland County
133 North Bridge Street
Perrysville, Ohio 44864

To the Village Council:

We have audited the accompanying financial statements of the Village of Perrysville, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 27, 2006, 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 CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine 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.

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 Village'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 Village'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 Village'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. However, we noted other matters that we reported to the Village's management in a separate letter dated August 27, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village 's basic 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 one instance of noncompliance or other matters we must report under *Government Auditing Standards* and is shown in the accompanying schedule as Finding Number 2006-01.

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated August 27, 2007.

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

KNOX & KNOX

Orrville, Ohio
August 27, 2007

VILLAGE OF PERRYVILLE
ASHLAND COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Village expenditures exceeded appropriations in the following instances at December 31:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Special Revenue (2006)	\$180,740	\$352,916	(\$172,176)
Enterprise (2006)	\$264,831	\$293,731	(\$28,900)
General (2005)	\$292,625	\$293,589	(\$964)

Client Response: None

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-01	Ohio Revised Code 5705.39 requires appropriations not exceed estimated resources	Yes	Finding no longer valid
2004-02	Ohio Revised Code Section 5705.41(B) no subdivision is to expend money unless it has been properly appropriated	No	Repeated as finding number 2006-01



Mary Taylor, CPA
Auditor of State

VILLAGE OF PERRYSVILLE

ASHLAND 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
APRIL 10, 2008**