



Mary Taylor, CPA
Auditor of State

VILLAGE OF PERRY
LAKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – The Fiduciary Fund Type - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - The Fiduciary Fund Type - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19

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Mary Taylor, CPA
Auditor of State

Village of Perry
Lake County
3758 Center Road, P.O. Box 100
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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 30, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, (the Village) as of and for the years ended December 31, 2008 and December 31, 2007. 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages 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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

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

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 October 30, 2009, 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.

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

Mary Taylor, CPA
Auditor of State

October 30, 2009

VILLAGE OF PERRY
LAKE COUNTY

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$91,570	\$39,187			\$130,757
Municipal Income Tax	332,753				332,753
Intergovernmental	277,523	101,117		\$417,070	795,710
Special Assessments		25,948			25,948
Fines, Licenses and Permits	9,484	1,370			10,854
Earnings on Investments	19,720	5,110			24,830
Miscellaneous	61,505		\$80,261		141,766
Total Cash Receipts	792,555	172,732	80,261	417,070	1,462,618
Cash Disbursements:					
Current:					
Security of Persons and Property	545,648			19,992	565,640
Public Health Services	12,631				12,631
Leisure Time Activities	20,520				20,520
Community Environment	5,438				5,438
Basic Utility Service	120	29,558			29,678
Transportation	261,543				261,543
General Government	187,913	61,665			249,578
Debt Service:					
Redemption of Principal			91,683		91,683
Interest and Fiscal Charges			19,828		19,828
Capital Outlay		196,416		429,270	625,686
Total Cash Disbursements	1,033,813	287,639	111,511	449,262	1,882,225
Total Receipts Over/(Under) Disbursements	(241,258)	(114,907)	(31,250)	(32,192)	(419,607)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Transfers-In	6,150		31,250	27,200	64,600
Transfers-Out	(58,450)	(6,150)			(64,600)
Total Other Financing Receipts / (Disbursements)	(52,300)	(6,150)	31,250	27,200	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(293,558)	(121,057)	0	(4,992)	(419,607)
Fund Cash Balances, January 1	1,045,370	186,175	0	45,000	1,276,545
Fund Cash Balances, December 31	\$751,812	\$65,118	\$0	\$40,008	\$856,938

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

**VILLAGE OF PERRY
LAKE COUNTY**

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

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$70
Fines, Licenses and Permits	12,027
Total Operating Cash Receipts	12,097
Operating Cash Disbursements:	
Contractual Services	12,262
Total Operating Cash Disbursements	12,262
Operating Income/(Loss)	(165)
Non-Operating Cash Receipts:	
Property and Other Local Taxes	106,861
Total Non-Operating Cash Receipts	106,861
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	106,931
Total Non-Operating Cash Disbursements	106,931
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(235)
Fund Cash Balances, January 1	580
Fund Cash Balances, December 31	\$345

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

**VILLAGE OF PERRY
LAKE COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$94,819	\$122,333			\$217,152
Municipal Income Tax	471,230				471,230
Intergovernmental	278,418	11,880		\$176,164	466,462
Special Assessments		24,529			24,529
Fines, Licenses and Permits	12,465	1,365			13,830
Earnings on Investments	63,198	5,600			68,798
Miscellaneous	54,125		\$80,762		134,887
	<u>974,255</u>	<u>165,707</u>	<u>80,762</u>	<u>176,164</u>	<u>1,396,888</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	507,177	10,000			517,177
Public Health Services	11,545				11,545
Leisure Time Activities	22,520				22,520
Community Environment	4,357				4,357
Basic Utility Service		32,009			32,009
Transportation	166,426	10,153			176,579
General Government	227,113	86,653			313,766
Debt Service:					
Redemption of Principal			85,537		85,537
Interest and Fiscal Charges			20,319		20,319
Capital Outlay				213,777	213,777
	<u>939,138</u>	<u>138,815</u>	<u>105,856</u>	<u>213,777</u>	<u>1,397,586</u>
Total Cash Disbursements	<u>939,138</u>	<u>138,815</u>	<u>105,856</u>	<u>213,777</u>	<u>1,397,586</u>
Total Receipts Over/(Under) Disbursements	<u>35,117</u>	<u>26,892</u>	<u>(25,094)</u>	<u>(37,613)</u>	<u>(698)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Transfers-In			25,094	47,613	72,707
Transfers-Out	(72,707)				(72,707)
Total Other Financing Receipts / (Disbursements)	<u>(72,707)</u>	<u>0</u>	<u>25,094</u>	<u>47,613</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,590)	26,892	0	10,000	(698)
Fund Cash Balances, January 1	1,082,960	159,283	0	35,000	1,277,243
Fund Cash Balances, December 31	<u>\$1,045,370</u>	<u>\$186,175</u>	<u>\$0</u>	<u>\$45,000</u>	<u>\$1,276,545</u>

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

**VILLAGE OF PERRY
LAKE COUNTY**

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

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$50
Fines, Licenses and Permits	\$12,610
Total Operating Cash Receipts	12,660
Operating Cash Disbursements:	
Contractual Service	12,312
Total Operating Cash Disbursements	12,312
Operating Income/(Loss)	348
Non-Operating Cash Receipts:	
Property and Other Local Taxes	125,359
Total Non-Operating Cash Receipts	125,359
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	125,359
Total Non-Operating Cash Disbursements	125,359
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	348
Fund Cash Balances, January 1	232
Fund Cash Balances, December 31	\$580

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

**VILLAGE OF PERRY
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Perry, Lake County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The 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.

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 private-purpose 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, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle 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 (except those financed through enterprise or trust funds). 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 Central Collection Agency received by the Village of Perry that belongs to the JEDD.

**VILLAGE OF PERRY
LAKE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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 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.

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 appropriated.

A summary of 2008 and 2007 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:

**VILLAGE OF PERRY
LAKE COUNTY**

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

2. Equity in Pooled Cash and Investments (Continued)

	2008	2007
Demand deposits	\$410,129	\$641,127
Certificates of deposit	\$114,000	\$410,467
Total deposits	524,129	1,051,594
 STAR Ohio	 333,154	 225,531
Total investments	333,154	225,531
Total deposits and investments	\$857,283	\$1,277,125

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Although the Village followed all state statutory requirements for these deposits, noncompliance with federal requirements could potentially subject the Village to a successful claim by the Federal Depository Insurance Corporation.

3. Budgetary Activity

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

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,024,183	\$798,705	(\$225,478)
Special Revenue	212,612	172,732	(39,880)
Debt Service	111,512	111,511	(1)
Capital Projects	646,150	444,270	(201,880)
Total	\$1,994,457	\$1,527,218	(\$467,239)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,061,747	\$1,092,263	\$969,484
Special Revenue	360,888	293,789	67,099
Debt Service	111,512	111,511	1
Capital Projects	685,000	449,262	235,738
Total	\$3,219,147	\$1,946,825	\$1,272,322

**VILLAGE OF PERRY
LAKE COUNTY**

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

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$827,270	\$974,255	\$146,985
Special Revenue	141,386	165,707	24,321
Debt Service	99,701	105,856	6,155
Capital Projects	566,000	223,777	(342,223)
Total	\$1,634,357	\$1,469,595	(\$164,762)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,900,000	\$1,011,845	\$888,155
Special Revenue	307,254	138,815	168,439
Debt Service	99,701	105,856	(6,155)
Capital Projects	601,000	213,777	387,223
Total	\$2,907,955	\$1,470,293	\$1,437,662

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.

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

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.

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.

**VILLAGE OF PERRY
LAKE COUNTY**

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

6. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$358,000	4.10%
Snow Plow Truck	\$35,868	3.71%
Ohio Public Works Issue II Loan	<u>\$233,937</u>	0.00%
Total	<u><u>\$627,805</u></u>	

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.

The Village purchased a new dump/snow plow truck in 2005 for \$85,000. The Village procured a 5 year bank lease/purchase with Bank One for the purchase of the truck.

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

Year ending December 31:	General Obligation Bonds	Ohio Public Works Issue II Loan	Snowplow
2009	80,678	12,313	18,938
2010	80,972	12,313	18,938
2011	81,143	12,313	0
2012-2016	160,348	61,562	0
2017-2021	0	61,562	0
2022-2026	0	61,562	0
2027	0	12,312	0
Total	<u><u>\$403,141</u></u>	<u><u>\$233,937</u></u>	<u><u>\$37,876</u></u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF PERRY
LAKE COUNTY**

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

8. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage 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 Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. The Village can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate payment. Travelers provides aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2008 was \$2,976,651.

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.

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

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, 2008 and 2007.

**VILLAGE OF PERRY
LAKE COUNTY**

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

8. Risk Management (Continued)

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$14.1 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 443 member governments in 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$29,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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 for each year of membership.

<u>Contributions to PEP</u>	
2006	\$ 23,804
2007	\$ 25,043
2008	\$ 24,459

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP sixty days in advance of the anniversary date. Upon withdrawal, members are eligible for full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

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, 2008 AND 2007
(Continued)**

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.

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Mary Taylor, CPA

Auditor of State

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

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, (the Village) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated October 30, 2009, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control 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 expressing our opinion 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.

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*.

We did note a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated October 30, 2009.

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.

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

Mary Taylor, CPA
Auditor of State

October 30, 2009



Mary Taylor, CPA
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
NOVEMBER 12, 2009**