

VILLAGE OF PERRY

LAKE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Perry, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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 Auditor's 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 Auditor's 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 Perry is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 28, 2013

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VILLAGE OF PERRY
LAKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Fiduciary Fund Types - For the Year Ended December 31, 2012	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Fiduciary Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7-15
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16-17
Schedule of Findings.....	18
Schedule of Prior Audit Findings.....	19

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Perry, Lake County (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

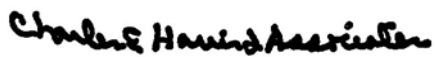
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Perry, Lake County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 12 to the financial statements, during 2011 the Village of Perry, Lake County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
April 19, 2013

**VILLAGE OF PERRY
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 74,787	\$ -	\$ -	\$ -	\$ 74,787
Municipal Income Tax	613,232	-	-	-	613,232
Intergovernmental	207,591	85,874	-	-	293,465
Special Assessments	-	42,347	-	-	42,347
Charges for Services	-	1,201	-	-	1,201
Fines, Licenses and Permits	14,081	-	-	-	14,081
Earnings on Investments	1,007	15	-	-	1,022
Miscellaneous	23,485	-	94,770	33,762	152,017
				-	
<i>Total Cash Receipts</i>	<u>934,183</u>	<u>129,437</u>	<u>94,770</u>	<u>33,762</u>	<u>1,192,152</u>
Cash Disbursements					
Current:					
Security of Persons and Property	465,732	34,830	-	-	500,562
Public Health Services	11,506	-	-	-	11,506
Leisure Time Activities	12,440	-	-	-	12,440
Community Environment	8,399	-	-	-	8,399
Transportation	76,364	90,845	-	-	167,209
General Government	172,948	-	-	-	172,948
Capital Outlay	28,610	-	-	23,246	51,856
Debt Service:					
Principal Retirement	870	-	103,350	-	104,220
Interest and Fiscal Charges	176	-	3,733	-	3,909
					-
<i>Total Cash Disbursements</i>	<u>777,045</u>	<u>125,675</u>	<u>107,083</u>	<u>23,246</u>	<u>1,033,049</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	157,138	3,762	(12,313)	10,516	159,103
Other Financing Receipts (Disbursements)					
Proceeds of Loan	28,610	-	-	-	28,610
Transfers In	-	-	12,313	238	12,551
Transfers Out	(12,551)	-	-	-	(12,551)
Advances In	20,754	-	-	-	20,754
Advances Out	-	-	-	(20,754)	(20,754)
					-
<i>Total Other Financing Receipts (Disbursements)</i>	<u>36,813</u>	<u>-</u>	<u>12,313</u>	<u>(20,516)</u>	<u>28,610</u>
<i>Net Change in Fund Cash Balances</i>	193,951	3,762	-	(10,000)	187,713
<i>Fund Cash Balances, January 1</i>	<u>133,605</u>	<u>136,456</u>	<u>-</u>	<u>10,000</u>	<u>280,061</u>
Fund Cash Balances, December 31					
Restricted	-	140,218	-	-	140,218
Unassigned	327,556	-	-	-	327,556
					-
<i>Fund Cash Balances, December 31</i>	<u>\$ 327,556</u>	<u>\$ 140,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 467,774</u>

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

**VILLAGE OF PERRY
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$ 8,668
<i>Total Operating Cash Receipts</i>	8,668
Operating Cash Disbursements	
Contractual Services	8,737
<i>Total Operating Cash Disbursements</i>	8,737
<i>Operating Income (Loss)</i>	(69)
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	123,077
Other Financing Uses	(123,077)
<i>Total Non-Operating Receipts (Disbursements)</i>	-
<i>Net Change in Fund Cash Balances</i>	(69)
<i>Fund Cash Balances, January 1</i>	97
<i>Fund Cash Balances, December 31</i>	\$ 28

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

**VILLAGE OF PERRY
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 71,466	\$ 623	\$ -	\$ -	\$ 72,089
Municipal Income Tax	588,088	-	-	-	588,088
Intergovernmental	271,796	93,367	-	-	365,163
Special Assessments	-	33,906	-	-	33,906
Fines, Licenses and Permits	20,180	-	-	-	20,180
Earnings on Investments	1,915	25	-	-	1,940
Miscellaneous	12,902	-	81,143	17,500	111,545
				-	
<i>Total Cash Receipts</i>	<u>966,347</u>	<u>127,921</u>	<u>81,143</u>	<u>17,500</u>	<u>1,192,911</u>
Cash Disbursements					
Current:					
Security of Persons and Property	532,269	34,804	-	-	567,073
Public Health Services	11,974	-	-	-	11,974
Leisure Time Activities	17,648	-	-	-	17,648
Community Environment	8,413	-	-	-	8,413
Transportation	116,153	95,875	-	-	212,028
General Government	192,136	-	-	-	192,136
Capital Outlay	-	-	-	28,254	28,254
Debt Service:					
Principal Retirement	-	-	86,674	-	86,674
Interest and Fiscal Charges	-	-	6,782	-	6,782
<i>Total Cash Disbursements</i>	<u>878,593</u>	<u>130,679</u>	<u>93,456</u>	<u>28,254</u>	<u>1,130,982</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	87,754	(2,758)	(12,313)	(10,754)	61,929
Other Financing Receipts (Disbursements)					
Transfers In	-	-	12,313	-	12,313
Transfers Out	(12,313)	-	-	-	(12,313)
Advances In	-	-	-	20,754	20,754
Advances Out	(20,754)	-	-	-	(20,754)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(33,067)</u>	<u>-</u>	<u>12,313</u>	<u>20,754</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	54,687	(2,758)	-	10,000	61,929
<i>Fund Cash Balances, January 1</i>	<u>78,918</u>	<u>139,214</u>	<u>-</u>	<u>-</u>	<u>218,132</u>
Fund Cash Balances, December 31					
Restricted	-	136,456	-	-	136,456
Committed	-	-	-	10,000	10,000
Unassigned	133,605	-	-	-	133,605
<i>Fund Cash Balances, December 31</i>	<u>\$ 133,605</u>	<u>\$ 136,456</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 280,061</u>

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

**VILLAGE OF PERRY
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$ 14,661
<i>Total Operating Cash Receipts</i>	14,661
Operating Cash Disbursements	
Contractual Services	15,198
<i>Total Operating Cash Disbursements</i>	15,198
<i>Operating Income (Loss)</i>	(537)
Non-Operating Receipts (Disbursements)	
Municipal Income Tax	134,464
Other Financing Uses	(134,464)
<i>Total Non-Operating Receipts (Disbursements)</i>	-
<i>Net Change in Fund Cash Balances</i>	(537)
<i>Fund Cash Balances, January 1</i>	634
<i>Fund Cash Balances, December 31</i>	\$ 97

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

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 contracts with Perry Joint Fire District to receive fire protection services.

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. Deposits 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 Village values certificates of deposit and STAR Ohio 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 for constructing, maintaining, and repairing Village streets.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Debt Service Fund received proceeds from the financing agreement with the Perry Joint Economic Development District (JEDD) and is used make debt payments.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

NOPEC Grant Fund – This fund receives monies from the Northeast Ohio Public Energy Council (NOPEC) for the installation of air conditioning unit and furnace to the Village Hall.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Mayor's Court and JEDD Income Tax. The Mayor's Court 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. The JEDD Income Tax Fund receives income tax revenue collected from the 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 (except certain agency funds) be budgeted annually.

VILLAGE OF PERRY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The 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 reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 Deposits and Investments

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

	2012	2011
Demand deposits	\$ 448,755	\$ 261,125
STAR Ohio	19,047	19,033
Total deposits and investments	\$ 467,802	\$ 280,158

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 832,742	\$ 962,793	\$ 130,051
Special Revenue	132,575	129,437	(3,138)
Debt Service	107,150	107,083	(67)
Capital Projects	54,854	34,000	(20,854)
Total	<u>\$ 1,127,321</u>	<u>\$ 1,233,313</u>	<u>\$ 105,992</u>

2012 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 851,689	\$ 789,596	\$ 62,093
Special Revenue	194,000	125,675	68,325
Debt Service	107,150	107,083	67
Capital Projects	44,100	23,246	20,854
Total	<u>\$ 1,196,939</u>	<u>\$ 1,045,600</u>	<u>\$ 151,339</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 815,262	\$ 966,347	\$ 151,085
Special Revenue	119,562	127,921	8,359
Debt Service	93,456	93,456	-
Capital Projects	50,000	17,500	(32,500)
Total	<u>\$ 1,078,280</u>	<u>\$ 1,205,224</u>	<u>\$ 126,944</u>

2011 Budgeted vs. Actual Budgetary Basis Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 894,180	\$ 890,906	\$ 3,274
Special Revenue	224,928	130,679	94,249
Debt Service	93,456	93,456	-
Capital Projects	50,000	28,254	21,746
Total	<u>\$ 1,262,564</u>	<u>\$ 1,143,295</u>	<u>\$ 119,269</u>

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

5. 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.

6. 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, 2012 was as follows:

	Principal	Interest Rate
Ohio Public Works Issue II Loan	\$ 184,687	0.00%
Police Cruiser Loan	27,740	3.60%
Total	\$ 212,427	

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 took out a loan for the amount of \$28,610 with Lake National Bank in October 2012 for the purchase of a police cruiser. This loan carries an interest of 3.6% and will be repaid monthly installments of \$522 over 5 years. The first payment was due November 25, 2012.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

6. Debt

Amortization of the above debt, including interest, follows:

Year ending December 31:	Ohio Public Works Issue II Loan	Police Cruiser Loan
2013	\$ 12,313	\$ 6,260
2014	12,313	6,260
2015	12,313	6,260
2016	12,312	6,260
2017	12,312	5,220
2018-2012	61,560	-
2023-2027	61,564	-
Total	<u>\$ 184,687</u>	<u>\$ 30,260</u>

7. Retirement System

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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

8. Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does 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, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	(14,187,273)	(14,320,812)
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$23,421.

Based on discussions 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 for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$25,458	\$23,933

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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 Councils. 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/Subsequent Events

Management believes that there are no pending claims or lawsuits.

12. Change in Accounting Principle

For 2011, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

**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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Perry, Lake County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 19, 2013 wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

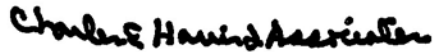
As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.

April 19, 2013

**VILLAGE OF PERRY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2012-01 – Material Weakness

The Village Officers' Handbook and the UAN accounting system provide 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 2012 and 2011, the Village did not record, or recorded incorrectly the following transactions.

- Proceeds of loan for the debt issuance and capital outlay for the purchase of a police cruiser were not posted
- Principal Retirement and Interest Charges for the Police Cruiser loan were not posted properly
- Zoning permit receipts were posted as Charges for Services instead of Fines, Licenses and Permits in the General Fund
- Intergovernmental receipts from the Lake County Auditor were posted as Miscellaneous receipts in the General Fund
- Disbursements in the Street Fund were posted as General Government rather than Transportation.

We noted that some adjustments required above were recorded correctly in the books, but were due to the fiscal officer transposing amounts incorrectly from the books to the annual report. The financial statements and Village's records have been adjusted to properly reflect these transactions.

We recommend that the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the compilation of annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers. Management should use the Village Officers' Handbook, the Uniform Accounting Network manual and other Auditor of State literature to assist in the classification of receipts and disbursements.

Management Response:

The Fiscal Officer takes these findings under advisement and will strive to classify to proper accounts and debt in the future. Also, care will be taken in compiling annual reports.

VILLAGE OF PERRY
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2012 and 2011

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Various audit adjustments/misclassifications	No	Repeated as Finding 2012-01
2010-02	Over payment of severance	Yes	No Longer Valid



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
JUNE 11, 2013