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*ALGER & ASSOCIATES, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS



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VILLAGE OF PERRYSVILLE

ASHLAND COUNTY, OHIO

A & A

REGULAR AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2012 & 2011





# Dave Yost • Auditor of State

Village Council  
Village of Perrysville  
P.O. Box 250  
Perrysville, Ohio 44864

We have reviewed the *Independent Auditor's Report* of the Village of Perrysville, Ashland County, prepared by Alger & Associates, LLC, 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.

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.

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

Dave Yost  
Auditor of State

August 5, 2013

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VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY

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# ALGER & ASSOCIATES, Inc

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Village of Perrysville  
Ashland County  
P.O. Box 250  
Perrysville, Ohio 44864

To the Village Council:

### *Report on the Financial Statements*

We have audited the accompanying financial statements and related notes of Village of Perrysville, Ashland 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 fairly 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.

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North Canton, OH 44720  
Phone - 330-353-5851  
Fax - 330-526-8778

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.B. 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.B. 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 Government as of December 31, 2012 and 2011, or changes in financial position thereof for the year 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 Village of Perrysville, Ashland 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.B.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village 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 June 20, 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.

Alger &  
Associates,  
Inc.

Digitally signed by Alger &  
Associates, Inc.  
DN: cn=Alger & Associates, Inc.,  
o=Alger & Associates, Inc., ou,  
email=galger@neo.rr.com, c=US  
Date: 2013.06.20 20:18:55 -0400

Alger & Associates, Inc.  
June 20, 2013

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**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

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

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 20,769	\$ 7,256	\$ 28,025
Municipal Income Tax	152,784	-	152,784
Intergovernmental	221,382	29,157	250,539
Fines, Licenses and Permits	3,221	-	3,221
Earnings on Investments	67	61	128
Miscellaneous	1,439	269	1,708
<b>Total Cash Receipts</b>	<b>399,662</b>	<b>36,743</b>	<b>436,405</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	74,079	-	74,079
Public Health Services	327	-	327
Leisure Time Activities	7,513	-	7,513
Transportation	3,375	37,501	40,876
General Government	141,551	-	141,551
<b>Total Cash Disbursements</b>	<b>226,845</b>	<b>37,501</b>	<b>264,346</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>172,817</b>	<b>(758)</b>	<b>172,059</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(5,000)</b>	<b>5,000</b>	<b>-</b>
<b>Net Change in Fund Cash Balances</b>	<b>167,817</b>	<b>4,242</b>	<b>172,059</b>
<b>Fund Cash Balance, January 1 - (see note 3)</b>	<b>76,118</b>	<b>32,038</b>	<b>108,156</b>
<b>Fund Cash Balance, December 31</b>			
Restricted	-	36,280	36,280
Unassigned	243,935	-	243,935
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 243,935</u></u>	<u><u>\$ 36,280</u></u>	<u><u>\$ 280,215</u></u>

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

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 245,447
Total Operating Cash Receipts	245,447
<b>Operating Cash Disbursements:</b>	
Personal Services	71,173
Employee Fringe Benefits	19,575
Contractual Services	31,034
Supplies and Materials	63,437
Total Operating Cash Disbursements	185,219
Operating Income/(Loss)	60,228
<b>Non-Operating Receipts/Disbursements</b>	
Intergovernmental	32,657
Loan Proceeds	4,642
Miscellaneous Receipts	759
Capital Outlay	(11,013)
Principal Retirement	(29,676)
Interest and Other Fiscal Charges	(3,166)
Total Non-Operating Receipts/Disbursements	(5,797)
Net Change in Fund Cash Balances	54,431
Fund Cash Balance, January 1 - (see note 3)	113,642
<b>Fund Cash Balance, December 31</b>	<b>\$ 168,073</b>

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

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 27,817	\$ 7,336	\$ 35,153
Municipal Income Tax	170,243	-	170,243
Intergovernmental	40,503	26,679	67,182
Fines, Licenses and Permits	3,393	-	3,393
Earnings on Investments	68	68	136
Miscellaneous	4,843	-	4,843
<b>Total Cash Receipts</b>	<b>246,867</b>	<b>34,083</b>	<b>280,950</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	117,039	-	117,039
Public Health Services	345	-	345
Leisure Time Activities	2,764	-	2,764
Transportation	3,420	37,797	41,217
General Government	173,623	-	173,623
<b>Total Cash Disbursements</b>	<b>297,191</b>	<b>37,797</b>	<b>334,988</b>
<b>Total Receipts Under Disbursements</b>	<b>(50,324)</b>	<b>(3,714)</b>	<b>(54,038)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(5,000)</b>	<b>5,000</b>	<b>-</b>
<b>Net Change in Fund Cash Balances</b>	<b>(55,324)</b>	<b>1,286</b>	<b>(54,038)</b>
<b>Fund Cash Balance, January 1</b>	<b>131,122</b>	<b>30,752</b>	<b>161,874</b>
<b>Fund Cash Balance, December 31</b>			
Restricted	0	32,038	32,038
Unassigned	75,798	0	75,798
<b>Fund Cash Balance, December 31</b>	<b>\$ 75,798</b>	<b>\$ 32,038</b>	<b>\$ 107,836</b>

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

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 225,376
Total Operating Cash Receipts	225,376
<b>Operating Cash Disbursements:</b>	
Personal Services	69,077
Employee Fringe Benefits	19,150
Contractual Services	72,590
Supplies and Materials	75,872
Total Operating Cash Disbursements	236,689
Operating Loss	(11,313)
<b>Non-Operating Receipts/Disbursements</b>	
Loan Proceeds	36,140
Miscellaneous Receipts	945
Capital Outlay	(3,546)
Principal Retirement	(24,268)
Interest and Other Fiscal Charges	(3,548)
Total Non-Operating Receipts/Disbursements	5,723
Net Change in Fund Cash Balances	(5,590)
Fund Cash Balance, January 1	119,007
<b>Fund Cash Balance, December 31</b>	<b>\$ 113,417</b>

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

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
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 Perrysville, Ashland County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and fire services.

Public Entity Risk Pool: The Village belongs to the Ohio Plan Risk Management, Inc. pool.

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. STAR Ohio are recorded at share values from the mutual funds report.

**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.

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (continued)**

**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:

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing State Highways within the Village.

**3. Enterprise Funds**

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

Water Fund- This fund receives charges for services from residents to cover water service costs.

Sewer Fund- This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. Appropriations lapse at year end.

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (continued)**

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 5.

**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 the 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.

**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.

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies – (continued)**

**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. Change in Accounting Principle**

For fiscal year 2011, the Village adopted Governmental Accounting Standard Board (GASB) Statement No. 54 which require certain funds to be reclassified. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**3. Restatement of Prior Year Fund Balance**

For fiscal year 2012, the prior year's audited fund balances at December 31, 2011, were adjusted to reflect the voided checks as reconciled to the bank and investment balances:

	General Fund	Proprietary Funds
Fund Cash Balance, December 31 as previously reported	\$ 75,798	\$ 113,417
Voided Checks	320	225
Fund Cash Balance, December 31	\$ 76,118	\$ 113,642

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. 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	\$ 434,282	\$ 221,253
Investments:		
STAR Ohio	14,006	-
Total	\$ 448,288	\$ 221,253

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village. At December 31, 2012, \$164,778 of deposits were not insured or collateralized, contrary to Ohio law.

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

**5. Budgetary Activity**

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

2012 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$446,805	\$399,662	(\$47,143)
Special Revenue	36,600	41,743	5,143
Enterprise	798,600	283,505	(515,095)
Total	\$1,282,005	\$724,910	(\$557,095)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$292,492	\$231,845	\$60,647
Special Revenue	46,873	37,501	9,372
Enterprise	839,085	229,074	610,011
Total	\$1,178,450	\$498,420	\$680,030

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,220	\$246,867	(\$15,353)
Special Revenue	33,800	39,083	5,283
Enterprise	308,100	262,461	(45,639)
Total	\$604,120	\$548,411	(\$55,709)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$354,147	\$302,191	\$51,956
Special Revenue	45,395	37,797	7,598
Enterprise	284,861	268,051	16,810
Total	\$684,403	\$608,039	\$76,364

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Highway fund by \$1,524, and the Sewer fund by \$12,400 for the year ended December 31, 2011.

Contrary to Ohio law, the Village system did not agree with the appropriations certified by the County Auditor for the following funds in 2011 and/or 2012: General, Street CM&R, State Highway, City Permissive, Water and Sewer Funds.

**6. 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.

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  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Local Income Tax**

The Village levies a municipal income tax of one 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.

**8. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission -CP607	\$26,250	0.0%
Ohio Public Works Commission -CT57E	1,982	0.0%
Anticipation Notes	73,481	4.0%
Ohio Water Development Authority -3931	76,977	0.0%
Ohio Water Development Authority -5707	23,730	4.17%
Ohio Water Development Authority -6305	45,380	2.0%
Total	\$ 247,800	

The Village obtained an Ohio Public Works Commission (OPWC) project loan during 1996 [CP607] 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 2015. This loan had previously been paid out of the General Fund and as of January 2009 this debt is now being paid out of the Enterprise Fund which services the debt. The amount \$37,500 reflected as outstanding in 2010 should have been \$41,250.

The Village borrowed \$3,300 from the Ohio Public Works Commission in 2005 [CT57E] to be repaid in semiannual payments of \$165 at zero percent interest out of the Enterprise Fund.

The Village obtained Revenue and Bond anticipation notes from Farmers & Savings 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 renewal of this note was on March 25, 2009 in the amount of \$108,000 at 4% interest rate.

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Debt - (continued)**

This debt had originally been paid out of the Debt Service Fund and as of January 1, 2009 this debt is being paid out of the Enterprise Fund which services the debt.

The Village borrowed \$125,963 in 2006 from the Ohio Water Development Authority [OWDA]; project loan number 3931, to be repaid in annual installments of \$6,998 at zero percent interest out of the Enterprise Fund. The amount \$94,472 reflected as outstanding in 2010 should have been \$90,973, due to advance payments made by the Village.

OWDA approved a loan for the Village Water Tank Planning & Design in late 2010, project loan number 5707. The loan was approved for a maximum amount of \$37,288. OWDA has disbursed \$24,444 plus \$1,911 capitalized interest for a total of \$26,355 in regard to this loan. The Village has repaid \$2,625 as of December 31, 2012. This project is still in the planning/design stage but the current loan amount is being repaid in semiannual payments of \$865 at 4.17% interest out of the Enterprise Fund. No amortization schedule has been finalized by OWDA as of December 31, 2012. The Village's loan outstanding should have been reflected \$14,397 at December 31, 2010.

OWDA approved a loan for the Village sewer system improvement project in late 2010; project loan number 5708. The loan was approved for a maximum amount of \$47,333. OWDA has disbursed \$44,526 plus \$2,805 capitalized interest for a total of \$47,331 in regard to this loan. The Village paid \$2,400 toward this loan in 2012, then rolled the loan into another loan from OWDA; project loan number 6305, with a maximum of \$64,832 for the construction portion of the project. This loan is not finalized yet, but will be repaid out of the Enterprise Fund at an interest rate of 2%. No amortization schedule has been finalized by OWDA as of December 31, 2012. The Village's loan outstanding should have been for \$18,954 at December 31, 2010.

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

Year Ending	<u>OPWC Project CP607</u>		
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,500	\$ -	\$ 7,500
2014	7,500	-	7,500
2015	7,500	-	7,500
2016	3,750	0	3,750
Total	\$ 26,250	\$0	\$ 26,250

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Debt - (continued)**

<u>Year Ending December 31</u>	<u>OPWC Project CT57E</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$165	\$ -	\$165
2014	165	-	165
2015	165	-	165
2016	166	-	166
2017	165	-	165
2018-2022	826	-	826
2023-2025	330	-	330
Total	<u>\$ 1,982</u>	<u>\$0</u>	<u>\$ 1,982</u>

<u>Year Ending December 31</u>	<u>Anticipation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,404	\$ 2,750	\$ 13,154
2014	63,077	819	63,896
Total	<u>\$ 73,481</u>	<u>\$ 3,569</u>	<u>\$ 77,050</u>

<u>Year Ending December 31</u>	<u>Ohio Water Development Authority</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$3,498	\$ -	\$ 3,498
2014	6,998	-	6,998
2015	6,998	-	6,998
2016	6,998	-	6,998
2017	6,998	-	6,998
2018-2022	34,990	-	34,990
2023-2024	10,497	-	10,497
Total	<u>\$ 76,977</u>	<u>\$ 0</u>	<u>\$ 76,977</u>

**9. Retirement Systems**

The Village's full-time Police Officers belong to the Ohio 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.

**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**9. Retirement Systems - (continued)**

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% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**10. Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years. The Pool's audited financial statements 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).

VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

10. Risk Management - (continued)

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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# ALGER & ASSOCIATES, Inc

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Perrysville  
Ashland County  
P.O. Box 250  
Perrysville, Ohio 44864

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 Perrysville, Ashland County, Ohio, (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 June 20, 2013 wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In 2011 the Village adopted Government Accounting Standards Board Statement 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 opinion 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 2012-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying Schedule of Findings to be a significant deficiency.

### **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 instances of noncompliance or other matters we must report under Government Auditing Standards which is described in the accompanying schedule of findings as items 2012-002 and 2012-003.

### **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.

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**Alger & Associates, Inc.**  
June 20, 2013

VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

**Financial Reporting**

As a result of audit procedures performed, errors were noted in the Village's financial statements for 2012 and in 2011 that required audit adjustments and reclassifications as follows.

Adjustment for 2012:

Capital Projects – The Village received a reimbursement of \$19,505 from OPWC project CP11O. The receipt was recorded in the Capital Projects Fund, however a memo entry was also entered for the same amount in the revenue and expenditure accounts which resulted in an overstatement of revenues and expenditures in this fund. An adjustment to the financial statements was made.

Revenue from OPWC and a disbursement to Engineering Associates Inc., both in the amount of \$393 was not posted to the financial statements. This money was a pass thru on behalf of the Village. An adjustment to the financial statements was made.

Capital Projects/Enterprise – Project (CP11O) was a waste water system improvement project which was recorded in the governmental funds instead of the Sewer Operating fund, as required. This required an adjustment to the revenue and expenditure funds of both fund types as follows:

<u>Fund Type</u>	<u>Revenue/Expenditure</u>	<u>Amount</u>
Capital Projects	Intergovernmental Revenue	\$(32,657)
	Capital Outlay	(8,597)
Enterprise	Intergovernmental Revenue	32,657
	Capital Outlay	8,597

Reclassification for 2012:

Enterprise Fund – Payments to contracted vendors for water and sewer projects were reclassified from Other to Contractual Services in the amount of \$2,226.

Reclassifications for 2011:

Enterprise Fund—Loan proceeds amounting to \$32,594 were reclassified from Special Assessments to Loan Proceeds.

Enterprise Fund – Repayments of debt for Notes, OWDA, and OPWC loans were reclassified from Interest and Fiscal Charges to Principal Retirement in the amount of \$24,268.

Enterprise Fund – Payments to contracted vendors for water and sewer projects were reclassified from Other to Contractual Services in the amount of \$42,394.

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village’s financial statements and notes to the financial statements are complete and accurate, we recommend Village implement sufficient control procedures over the financial reporting process in order to enable management to detect and prevent potential misstatements in the financial statements and footnotes. The Village Fiscal Officer should review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

**FINDING NUMBER 2012-002**

**Expenditures Limited by Appropriations**

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

The following funds had expenditures that exceeded appropriations in 2011:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Highway	\$ 5,350	\$6,874	\$1,524
Sewer	123,858	136,258	12,400

This situation increases the possibility that deficit spending may occur.

We recommend that Management monitor their budgetary accounts throughout the year to ensure that expenditures do not exceed appropriations and prior year carryover encumbrances. Fund appropriations should be amended to correspond with any increase or decrease in fund expenditures. The Village Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2012-003**

**Appropriations in Accounting System**

Ohio Admin. Code 117-2-02(C)(1) states in part: all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Permanent appropriations plus amendments, as documented in the minute records and subsequently filed with the County Auditor, did not agree to the Village's computer system within several funds during the audit period.

Variances between approved appropriations and the Village's computer system were noted as follows:

<u>Year</u>	<u>Fund</u>	<u>Approved</u>	<u>In System</u>	<u>Variance</u>
2011	General	\$354,147	\$356,164	\$2,017
	SCMR	31,895	34,895	3,000
	St Highway	11,000	7,350	(3,650)
	City Permissive	2,500	0	(2,500)
	Water	161,003	173,003	12,000
	Sewer	123,858	161,358	37,500
2012	General	\$292,492	\$292,472	(20)
	SCMR	37,023	42,023	5,000
	City Permissive	2,500	0	(2,500)
	Water	161,100	161,150	50

The Fiscal Officer should post amendments to appropriations upon 1) approval by Council per the minute records, and 2) receipt of the Certificate from the County Auditor that 'Appropriations did not Exceed Estimated Resources'. This may help ensure accurate information pertaining to the appropriations are recorded and reflected in budgetary reports so Council can properly monitor budgetary activity.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

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**VILLAGE OF PERRYSVILLE  
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	<u>Ohio Rev. Code Section 5705.41 (D)</u> , requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation...has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes.	Fiscal Officer certified through use of Then and Now certification. This is stated in the purchase orders.
2010-002	Ohio Revised Code 5705.39 – Appropriations are limited by estimated resources	Yes	
2010-003	Ohio Revised Code 5705.41(B) – no subdivision or taxing unit is to expend money unless it has been properly appropriated.	No	Partially corrected.
2010-004	Ohio Rev. Code Section 149.351 provides a general prohibition against the destruction or damage of public records.	Yes	Village has implemented a Public Records policy and the Fiscal Officer has attended State training.

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# Dave Yost • 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  
AUGUST 15, 2013**