



Dave Yost • Auditor of State

VILLAGE OF PERRY
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Perry, Lake County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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. 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 opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Fines, License and Permits receipts of the Agency Fund are reported as \$45,088 and \$24,947 and Other Operating expenditures reported as \$41,237 and \$24,586 of for the years ended December 31, 2014 and 2013 respectively. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Fines, License and Permits and Other Operating Expenditures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effect of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Agency Fund of the Village of Perry, Lake County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the General, Special Revenue, Debt Service and Capital Projects fund types of the Village of Perry, Lake County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2015, 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

July 15, 2015

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**VILLAGE OF PERRY
LAKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$67,029		\$0	\$0	\$67,029
Municipal Income Tax	622,443				622,443
Intergovernmental	118,923	\$84,809			203,732
Special Assessments		38,731			38,731
Charges for Services	128,882				128,882
Fines, Licenses and Permits	23,119	3,603			26,722
Earnings on Investments	1,077	6			1,083
Miscellaneous	19,793	594			20,387
<i>Total Cash Receipts</i>	<u>981,266</u>	<u>127,743</u>	<u>-</u>	<u>-</u>	<u>1,109,009</u>
Cash Disbursements					
Current:					
Security of Persons and Property	558,033	35,452			593,485
Public Health Services	11,542				11,542
Leisure Time Activities	19,177				19,177
Community Environment	4,107				4,107
Transportation	105,589	108,132			213,721
General Government	173,949	2,690			176,639
Capital Outlay				44,564	44,564
Debt Service:					
Principal Retirement	5,551		12,313		17,864
Interest and Fiscal Charges	722				722
<i>Total Cash Disbursements</i>	<u>878,670</u>	<u>146,274</u>	<u>12,313</u>	<u>44,564</u>	<u>1,081,821</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>102,596</u>	<u>(18,531)</u>	<u>(12,313)</u>	<u>(44,564)</u>	<u>27,188</u>
Other Financing Receipts (Disbursements)					
Transfers In			12,313		12,313
Transfers Out	(12,313)				(12,313)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,313)</u>	<u>-</u>	<u>12,313</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	90,283	(18,531)	-	(44,564)	27,188
<i>Fund Cash Balances, January 1</i>	<u>353,680</u>	<u>149,797</u>	<u>-</u>	<u>94,000</u>	<u>597,477</u>
Fund Cash Balances, December 31					
Restricted	-	131,266	-	49,436	180,702
Committed	108,000	-	-	-	108,000
Unassigned (Deficit)	335,963	-	-	-	335,963
<i>Fund Cash Balances, December 31</i>	<u>\$443,963</u>	<u>\$131,266</u>	<u>\$0</u>	<u>\$49,436</u>	<u>\$624,665</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 (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	<u>\$45,088</u>
<i>Total Operating Cash Receipts</i>	<u>45,088</u>
Operating Cash Disbursements	
Other	<u>41,237</u>
<i>Total Operating Cash Disbursements</i>	<u>41,237</u>
<i>Operating Income (Loss)</i>	<u>3,851</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	166,618
Other Financing Uses	<u>(166,618)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	3,851
<i>Fund Cash Balances, January 1</i>	<u>389</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,240</u></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 (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$65,564		\$0	\$0	\$65,564
Municipal Income Tax	605,424				605,424
Intergovernmental	125,431	\$81,268			206,699
Special Assessments	2,163	41,711			43,874
Charges for Services	146,485	1,533			148,018
Fines, Licenses and Permits	12,064	97			12,161
Earnings on Investments	1,244	7			1,251
Miscellaneous	3,429	2,376			5,805
<i>Total Cash Receipts</i>	<u>961,804</u>	<u>126,992</u>	<u>-</u>	<u>-</u>	<u>1,088,796</u>
Cash Disbursements					
Current:					
Security of Persons and Property	519,203	32,725			551,928
Public Health Services	11,179				11,179
Leisure Time Activities	19,289				19,289
Community Environment	7,149				7,149
Transportation	107,704				107,704
General Government	177,570	84,688			262,258
Debt Service:					
Principal Retirement	5,351		12,313		17,664
Interest and Fiscal Charges	922				922
<i>Total Cash Disbursements</i>	<u>848,367</u>	<u>117,413</u>	<u>12,313</u>	<u>-</u>	<u>978,093</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>113,437</u>	<u>9,579</u>	<u>(12,313)</u>	<u>-</u>	<u>110,703</u>
Other Financing Receipts (Disbursements)					
Insurance Proceeds				13,250	13,250
Sale of Capital Assets				5,750	5,750
Transfers In			12,313	75,000	87,313
Transfers Out	(87,313)				(87,313)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(87,313)</u>	<u>-</u>	<u>12,313</u>	<u>94,000</u>	<u>19,000</u>
<i>Net Change in Fund Cash Balances</i>	26,124	9,579	-	94,000	129,703
<i>Fund Cash Balances, January 1</i>	<u>327,556</u>	<u>140,218</u>	<u>-</u>	<u>-</u>	<u>467,774</u>
Fund Cash Balances, December 31					
Restricted	-	149,797	-	94,000	243,797
Committed	-	-	-	-	0
Unassigned (Deficit)	353,680	-	-	-	353,680
<i>Fund Cash Balances, December 31</i>	<u>\$353,680</u>	<u>\$149,797</u>	<u>\$0</u>	<u>\$94,000</u>	<u>\$597,477</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 (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Fines, Licenses and Permits	\$24,947
<i>Total Operating Cash Receipts</i>	24,947
Operating Cash Disbursements	
Other	24,586
<i>Total Operating Cash Disbursements</i>	24,586
<i>Operating Income (Loss)</i>	361
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	130,935
Other Financing Uses	(130,935)
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balances</i>	361
<i>Fund Cash Balances, January 1</i>	28
<i>Fund Cash Balances, December 31</i>	\$389

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, 2014 AND 2013**

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 is a member of The Perry Joint Fire District to receive fire protection services.

The Village participates in jointly governed organizations, and a public entity risk pool. Notes 8, 10 and 11 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Risk Pool of Ohio - Note 8

Jointly Governed Organizations:

Perry Joint Economic Development District – Note 10

Perry Joint Fire District – Note 11

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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.

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

This fund account for and report financial resources that are restricted, committed, or assigned 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 to make debt payments.

4. Capital Project Fund

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:

Capital Equipment Fund – This fund receives transfers from the General Fund for capital equipment purchased by the Village.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

D. Fund Accounting (Continued)

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 revenues 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.

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. Appropriations lapse at year end.

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 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. The Village did not use the encumbrance method of accounting.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

VILLAGE OF PERRY
LAKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies – (Continued)

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.

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.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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:

	2014	2013
Demand deposits	\$609,844	\$578,811
STAR Ohio	19,061	19,055
Total deposits and investments	\$628,905	\$597,866

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,047,587	\$981,266	(\$66,321)
Special Revenue	270,647	127,743	(142,904)
Debt Service	12,313	12,313	0
Capital Projects	94,000	0	(94,000)
Total	\$1,424,547	\$1,121,322	(\$303,225)

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity - (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$962,907	\$890,983	\$71,924
Special Revenue	148,100	146,274	1,826
Debt Service	12,313	12,313	0
Capital Projects	63,000	44,564	18,436
Total	\$1,186,320	\$1,094,134	\$92,186

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,237,594	\$961,804	(\$275,790)
Special Revenue	264,780	126,992	(137,788)
Debt Service	12,313	12,313	0
Capital Projects	75,000	94,000	19,000
Total	\$1,589,687	\$1,195,109	(\$394,578)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,082,993	\$935,680	\$147,313
Special Revenue	183,020	117,413	65,607
Debt Service	12,313	12,313	0
Capital Projects			0
Total	\$1,278,326	\$1,065,406	\$212,920

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.

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

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of 2 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, 2014 was as follows:

	Principal	Interest Rate
Ohio Public Works Issue II Loan	\$160,066	0.00%
Police Cruiser Loan	\$16,837	3.60%
Total	\$176,903	

The Ohio Public Works Issue II Loan is 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 in semi-annually installments of \$6,156 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 rate of 3.6% and will be repaid in monthly installments of \$522 over 5 years. The first payment was due November 25, 2012.

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

	Ohio Public Works Issue II Loan	Police Cruiser Loan
Year ending December 31:		
2015	\$12,313	\$6,273
2016	12,313	6,273
2017	12,313	4,291
2018	12,313	
2019	12,313	
2020-2024	61,563	
2025-2027	36,938	
Total	\$160,066	\$16,837

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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. OP&F participants contributed 10.00% of their wages from January 1, 2013 to June 30, 2013; 10.75% from July 1, 2013 to June 30, 2014; and 11.5% of their wages from July 1, 2014 through December 31, 2014. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of the full-time police member's wages.

For 2013 and 2014, 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, 2014.

8. Risk Management

Risk Pool Membership

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 member's 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Risk Management – (Continued)

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, 2013 and 2012. (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,411,883	\$34,389,569
Liabilities	(12,760,194)	(14,208,353)
Net Assets	<u>\$21,651,689</u>	<u>\$20,181,216</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$17,902.

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>2013</u>	<u>2012</u>
\$25,574	\$26,508

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.

9. Contingent Liabilities

The Village is a party to legal proceedings. 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.

**VILLAGE OF PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. Perry Joint Economic Development District

The Perry Joint Economic Development District was incorporated on August 25, 2000, under the authority of the Ohio Revised Code Section 715.72 through 715.83. The District was comprised of Perry Township and the Village of Perry. On September 12, 2002, the 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 Revised Code Section 715.78(A). The District was formed to advance, encourage and promote the industrial, economic, commercial and civic development of the area.

11. 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.

12. Subsequent Events

On October 1, 2014, the Village of Perry's Mayor and Police Chief requested the State Attorney General's Bureau of Criminal Investigation Special Investigations Unit investigate allegation that the former Mayor's Court Clerk had authorized unlawful transactions using the Mayor's Court bank accounts. The results of that investigation have been turned over to the Lake County Prosecutor's office.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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
Perry, Ohio 44081

To the Village Council and Mayor:

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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to the Village's lack of sufficient appropriate evidence supporting the amounts reported as Fines, Licenses and Permits receipts and Operating Expenditures in the Mayor's Court Agency Fund.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a

deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-005 described in the accompanying schedule of findings to be material weaknesses.

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 are described in the accompanying schedule of findings 2014-001 through 2014-002.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

July 15, 2015

VILLAGE OF PERRY
LAKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance and Material Weakness – Mayor’s Court Records

Ohio Revised Code § 149.351(A) All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.39 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

The following records were requested for audit but could not be provided because the Court’s computer system was rendered inaccessible and other records were not retained in accordance with the aforementioned provisions:

- Mayor’s Court Docket, and Receipt reports;
- A log of Citations issued;
- Bank deposit slips; and
- Distribution of fines reports.

Complete records could not be provided for 2013 through 2014.

Failure to maintain adequate documentation supporting Mayor’s court activity could result in a loss of accountability over these activities and make it difficult for Village personnel to identify errors.

As a result, we are unable to satisfy ourselves as to whether all receipt transactions of the Mayor’s Court have been appropriately accounted for, recorded or appropriately deposited into the bank account of the Court. The amounts reported in the Village’s financial statements for the Court’s agency fund represents balances and activities primarily based on activity found on the Mayor’s Court account bank statements.

Disbursements from the Mayor’s Court cash balances are dependent upon the amount collected for fines, fees and costs, therefore, we are not able to determine if all appropriate amounts have been distributed to the Village, State or other agencies in accordance with applicable sections of the Ohio Revised Code.

We recommend the Village develop and maintain a system of controls over Mayor’s court records, such that all records are sufficiently organized, retained and available for efficient use by Village management and appropriate external parties.

Official’s Response:

The Village of Perry purchased a new software program for Mayor’s Court in January 2015. The new software has allowed us to monitor Mayor’s Court Operations more efficiently and make disbursements in a timely manner. The Village has hired a new Mayor’s Court Clerk to do duties of the Mayor’s Court. The new software will be put into use January 2015.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness – Mayor’s Court Monthly Reports and Other Remittances

Village Monthly Report and Remittance

Ohio Revised Code § 733.40 requires all fines, forfeitures, and costs in ordinances cases and all fees that are collected by the Mayor, that comes into the Mayor’s hands, that are due the Mayor, and all money received by the Mayor for the use of the municipal corporation be paid by the Mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

Mayor’s Court Reparations State Costs

Ohio Revised Code § 2743.70(A)(1) requires the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- (a) Thirty dollars, if the offense is a felony;
- (b) Nine dollars, if the offense is a misdemeanor.

The court shall not waive the payment of the thirty or nine dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender. All such moneys shall be transmitted on the first business day of each month by the clerk of the court to the treasurer of state and deposited by the treasurer in the reparations fund.

Mayor’s Court Indigent Defense Support State Costs

Ohio Revised § Section 2949.091(A)(1) (a) The court in which any person is convicted of or pleads guilty to any offense shall impose one of the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- (i) Thirty dollars if the offense is a felony;
- (ii) Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation;
- (iii) Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

(b) All moneys collected pursuant to division (A)(1)(a) of this section during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state to the credit of the indigent defense support fund established under section 120.08 of the Revised Code. The court shall not waive the payment of the additional thirty-, twenty-, or ten-dollar court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

FINDING NUMBER 2014-002

**Noncompliance and Material Weakness – Mayor’s Court Monthly Reports and Other Remittances
(Continued)**

Mayor’s Court Additional State Court Cost

Ohio Revised Code § 2949.094(A) The court in which any person is convicted of or pleads guilty to any moving violation shall impose an additional court cost of ten dollars upon the offender. The court shall not waive the payment of the ten dollars unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

The clerk of the court shall transmit thirty-five per cent of all additional court costs collected pursuant to this division during a month on or before the twenty-third day of the following month to the state treasury of which ninety-seven per cent shall be credited to the drug law enforcement fund created under section 5502.68 of the Revised Code and the remaining three per cent shall be credited to the justice program services fund created under section 5502.67 of the Revised Code. The clerk shall transmit fifteen per cent of all additional court costs so collected during a month on or before the twenty-third day of the following month to the county or municipal indigent drivers alcohol treatment fund under the control of that court, as created by the county or municipal corporation under division (H) of section 4511.191 of the Revised Code. The clerk shall transmit fifty per cent of all additional court costs so collected during a month on or before the twenty-third day of the following month to the state treasury to be credited to the indigent defense support fund created pursuant to section 120.08 of the Revised Code.

Mayor’s Court Computer Fees

Ohio Revised Code § 1901.261 (A)(1) provides that a municipal court may determine that for the efficient operation of the court additional funds are required to computerize the court, to make available computerized legal research services, or to do both. Upon making a determination that additional funds are required for either or both of those purposes, the court shall include in its schedule of fees and costs under section 1901.26 of the Revised Code one additional fee not to exceed three dollars on the filing of each cause of action or appeal equivalent to one described in division (A), (Q), or (U) of section 2303.20 of the Revised Code and shall direct the clerk of the court to charge the fee.

Ohio Revised Code § 1901.261 (B)(1) provides a municipal court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under section 1901.26 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment that is equivalent to one described in division (A), (P), (Q), (T), or (U) of section 2303.20 of the Revised Code. Subject to division (B)(2) of this section, all moneys collected under division (B)(1) of this section shall be paid on or before the twentieth day of the month following the month in which they are collected to the county treasurer if the court is a county-operated municipal court or to the city treasurer if the court is not a county-operated municipal court. The treasurer shall place the funds from the fees in a separate fund to be disbursed, upon an order of the municipal court and subject to an appropriation by the board of county commissioners if the court is a county-operated municipal court or by the legislative authority of the municipal corporation if the court is not a county-operated municipal court, in an amount no greater than the actual cost to the court of procuring and maintaining computer systems for the office of the clerk of the municipal court.

FINDING NUMBER 2014-002

Noncompliance and Material Weakness – Mayor’s Court Monthly Reports and Other Remittances (Continued)

Failure to timely submit the required reports, court costs and fees could subject the Village penalties.

The Mayor’s Court Clerk did not file timely and complete reports or payments as required.

From January 2103 through December 31, 2014 we found only 10 of the 24 require monthly payments of fines and costs to the Village, 5 payments were made in each year. Further, we found no copies of the reports to the Village Council, that were required to be submitted at the first meeting of the month, reporting all money received, and from whom and for what purposes it was received.

We examined Village pay-in order 13-147 dated 8/8/13 and the court's attached report which reported fines and costs collected/allocated per case for moving violations. We found, the charged/allocated amounts were not at the rates authorized by the above noted sections of the Ohio Revised Code or the Village's Court Fee Schedule. Further, the court report indicated fines and costs had been collected May 2013, but were not paid into Village Treasury until August 2013.

We found no checks (or EFT) issued on the Mayor's Court bank account payable to the Treasurer of the State of Ohio or the Painesville Municipal Court for Costs required to be paid by the above noted sections of the Ohio Revised Code for State and Municipal Court Costs.

We confirmed with Treasurer of State Office that no money was received by Treasurer of State in 2013 and 2014 for any of the above noted State costs from the Village of Perry's Mayor's Court. We confirmed with the Painesville Municipal Court that they did not received drivers' alcohol treatment fund payments in 2013 through 2014 from the Village of Perry's Mayor's Court.

We recommend the Mayor's Court follow Ohio Revised Code § 733.40 which is an effective documentation control requiring the Mayor pay into the Village Treasury all monies collected for all fines, forfeitures, and costs in ordinances cases and all fees collected by the mayor, be paid into the treasury on the first Monday of each Month. Further, at the first regular meeting of the Village Council each month, the Mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

We recommend the Mayor sign all checks issued by the Mayor's Court.

We recommend the Village recalculate all fees due the State of Ohio and Painesville Municipal Court for 2013 and 2014 from available records or when computer records can be accessed, and remit them to the authorized recipient as required.

Court fees and costs charged per case must be as authorized by the Revised Code and where guidance is not provided by the Revised Code the Mayor's Court should follow the Painesville Municipal Court established schedule of fees and costs to be taxed in any civil or criminal action or proceeding.

Officials Response:

After final release from BCI and Lake County Prosecutors we will have two signatures on all checks to applicable agencies. We restructured Mayor Court Fee's effective January 1, 2015 and passed Resolution 2014-024 (r) on December 11, 2014. In March 2015 the Mayor and Mayor Court Clerk attended training and are now in compliance.

FINDING NUMBER 2014-003

***Material Weakness – Failure to Post Transactions Correctly**

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 2014 and 2013, the Village did not record, or recorded incorrectly the following transactions:

- Intergovernmental receipts from the State of Ohio were posted as Miscellaneous receipts in the General Fund
- Homestead and Rollback receipts received from the State of Ohio were posted in Property and Other Local Taxes in the General Fund
- One Municipal Income Tax receipt from the State of Ohio was posted to the Motor Vehicle License Tax Account
- Zoning fees and Contractor Registration fees were posted to Charges for Services instead of to Fines, Licenses and Permits. Student Resource Officer Fees were posted as Intergovernmental revenue instead of Charges for Services.

The financial statements and Village's records have been adjusted by the Fiscal Officer to properly reflect these transactions.

We recommend the Village implement additional internal control procedures to help 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, Uniform Accounting Network manual and other Auditor of State literature to assist in the classification of receipts and disbursements.

Officials Response:

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

FINDING NUMBER 2014-004

Material Weakness – Segregation of Duties

Sound business practices suggest that adequate segregation of duties be established over financial operations of an entity. Implementing these controls will assist the Village in monitoring the financial activity of the Village's Mayor's Court activity.

We could not find documentation the Mayor's Court Clerk work was reviewed by the Mayor.

The Mayor's Court Clerk was the only designated user of the Global Business Systems (GBS) Mayor's Court computer system. During the period, the Mayor served as the direct supervisors for the Mayor's Court personnel, however per review of the January 2013 through 2014 court records, there is no indication the Mayor's Court cashbook, docket, open items or bank reconciliations were reviewed or approved by Mayor or the Village Council.

FINDING NUMBER 2014-004

Material Weakness – Segregation of Duties (Continued)

We recommend management maintain adequate segregation of duties relating to the Court activity. The Mayor should have read only access to the Mayor's Court accounting system and perform periodic detailed reviews of recorded activity and indicate this review on the Mayor's Court monthly reports, cashbooks, court dockets and bank reconciliations.

Official's Response:

The Village appointed a new Mayor's Court Clerk effective August 2014. The new software will be put into use January 2015. The new software will monitor Mayor's Court operations more efficiently and make disbursements in a timely manner. The Mayor will review and sign the Mayor's Court reconciliation report each month.

FINDING NUMBER 2014-005

Material Weakness – Mayor's Court Bank Account

Failure to accurately prepare and reconcile the accounting records to the bank account reduces the accountability over the Mayor's Court funds and reduces the Mayor's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Village's financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness and accuracy of recorded transactions, as well, as to help ensure all recorded transactions have been deposited and disbursed through the financial institution.

We could not find any evidence the Mayor's Court Clerk performed monthly bank reconciliations.

We recommend the Mayor's Court Clerk complete timely and complete bank reconciliations for the Mayor's Court Bank Account. Also, we recommend monthly bank reconciliations of the Mayor's Court be reviewed and approved by the Mayor.

Officials' Response:

The newly hired Mayor's Court Clerk will perform monthly bank reconciliation for the Mayor's Court. It will be reviewed and approved by the Mayor and Village Officials. Initials of the reviewer(s) and the date will be evidence for all approved reconciliations.

*We also reported this matter in our prior audit of the financial statements.

VILLAGE OF PERRY
LAKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Various audit adjustments/misclassifications	No	2014-003

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Dave Yost • Auditor of State

VILLAGE OF PERRY

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 4, 2015