

VILLAGE OF PERRYSVILLE

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





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 Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 9, 2015

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VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

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

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

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

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

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 permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

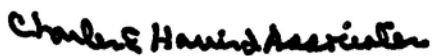
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Perrysville, Ashland 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 March 11, 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.



Charles E. Harris & Associates, Inc.
March 11, 2015

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2014**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
RECEIPTS:			
Property and Other Local Taxes	\$ 17,970	\$ 5,571	\$ 23,541
Municipal Income Tax	170,025	-	170,025
Intergovernmental	23,641	41,539	65,180
Fines, Licenses and Permits	8,587	725	9,312
Earnings on Investments	102	10	112
Miscellaneous	42,674	33	42,707
Total Cash Receipts	262,999	47,878	310,877
DISBURSEMENTS:			
Current:			
Security of Persons and Property	81,578	-	81,578
Public Health Services	321	-	321
Leisure Time Activities	3,835	-	3,835
Transportation	3,278	30,046	33,324
General Government	101,684	-	101,684
Capital Outlay	27,565	12,100	39,665
Total Cash Disbursements	218,261	42,146	260,407
Cash Receipts Over/(Under) Cash Disbursements	44,738	5,732	50,470
Other Financing Sources (Uses):			
Advances-In	12,100	12,100	24,200
Advances-Out	(12,100)	(12,100)	(24,200)
Total Other Financing Sources (Uses)	-	-	-
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	44,738	5,732	50,470
Fund Cash Balance, January 1, 2014	253,838	41,305	295,143
Fund Cash Balances:			
Restricted	-	47,037	47,037
Unassigned	298,576	-	298,576
Fund Cash Balance, December 31, 2014	\$ 298,576	\$ 47,037	\$ 345,613

See Accompanying Notes to the Financial Statements

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
For the Year Ended December 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	(Memorandum Only) Total
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$ 234,708	-	\$ 234,708
Total Operating Cash Receipts	234,708	-	234,708
OPERATING CASH DISBURSEMENTS			
Personal Services	77,472	-	77,472
Employee Fringe Benefits	20,108	-	20,108
Contractual Services	33,052	-	33,052
Supplies and Materials	75,780	-	75,780
Other	3,710	-	3,710
Total Operating Cash Disbursements	210,122	-	210,122
Operating Income (Loss)	24,586	-	24,586
NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)			
Mayor's Court Collections	-	\$ 7,712	7,712
Mayor's Court Disbursements	-	(7,411)	(7,411)
Proceeds from Notes	61,310	-	61,310
Miscellaneous	54	-	54
Capital Outlay	(355)	-	(355)
Debt Service:			
Retirement of Principal	(90,614)	-	(90,614)
Interest and Fiscal Charges	(4,255)	-	(4,255)
Total Non Operating Cash Receipts/ (Disbursements)	(33,860)	301	(33,559)
Net Income (Loss)	(9,274)	301	(8,973)
Fund Cash Balance, January 1, 2014	180,251	-	180,251
Fund Cash Balance, December 31, 2014	\$ 170,977	\$ 301	\$ 171,278

See Accompanying Notes to the Financial Statements

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2013**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
RECEIPTS:			
Property and Other Local Taxes	\$ 15,023	\$ 6,106	\$ 21,129
Municipal Income Tax	164,019	-	164,019
Intergovernmental	47,791	31,275	79,066
Fines, Licenses and Permits	4,988	-	4,988
Earnings on Investments	115	32	147
Miscellaneous	<u>28,358</u>	<u>-</u>	<u>28,358</u>
Total Cash Receipts	260,294	37,413	297,707
DISBURSEMENTS:			
Current:			
Security of Persons and Property	97,735	-	97,735
Public Health Services	324	-	324
Leisure Time Activities	3,294	-	3,294
Transportation	3,420	32,388	35,808
General Government	<u>145,618</u>	<u>-</u>	<u>145,618</u>
Total Cash Disbursements	<u>250,391</u>	<u>32,388</u>	<u>282,779</u>
Cash Receipts Over/(Under) Cash Disbursements	9,903	5,025	14,928
Fund Cash Balance, January 1, 2013	<u>243,935</u>	<u>36,280</u>	<u>280,215</u>
Fund Cash Balances:			
Restricted	-	41,305	41,305
Unassigned	<u>253,838</u>	<u>-</u>	<u>253,838</u>
Fund Cash Balance, December 31, 2013	<u>\$ 253,838</u>	<u>\$ 41,305</u>	<u>\$ 295,143</u>

See Accompanying Notes to the Financial Statements

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2013**

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 239,081
Total Operating Cash Receipts	239,081
OPERATING CASH DISBURSEMENTS	
Personal Services	67,503
Employee Fringe Benefits	22,371
Contractual Services	27,936
Supplies and Materials	56,881
Other	26,061
Total Operating Cash Disbursements	200,752
Operating Income (Loss)	38,329
NON OPERATING CASH RECEIPTS/ (DISBURSEMENTS)	
Intergovernmental	483,159
Proceeds from Loan	25,446
Special Assessments	997
Miscellaneous	875
Capital Outlay	(505,946)
Debt Service:	
Retirement of Principal	(27,279)
Interest and Fiscal Charges	(3,403)
Total Non Operating Cash Receipts/ (Disbursements)	(26,151)
Net Income (Loss)	12,178
Fund Cash Balance, January 1, 2013	168,073
Fund Cash Balance, December 31, 2013	\$ 180,251

See Accompanying Notes to the Financial Statements

VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended 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 Perrysville, Ashland County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street repair and maintenance, park operations, police services and water and sewer utilities to the residents of the Village. The Green-Perrysville Joint Fire District provides fire protection services to the Village residents.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

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. BASIS OF ACCOUNTING

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 report disbursements for investments purchases or receipts for investments 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.

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, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

These funds account for the proceeds of specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline and motor vehicle tax money for construction, maintenance and repairing of Village streets.

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 the cost of providing this utility.

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

4. Fiduciary Fund

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 fund accounts for Mayor's court fines.

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 and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 commitments are made. Encumbrances outstanding at year-end are canceled.

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

F. FUND BALANCE

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

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action by resolution or ordinance. The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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, ordinance, or by State Statute.

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. FUND BALANCE – (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 acquisition 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 cash and investments at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand Deposits	\$250,414	\$191,600
Investments:		
STAR Ohio	<u>266,477</u>	<u>283,794</u>
Total	<u><u>\$516,891</u></u>	<u><u>\$475,394</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

3. BUDGETARY ACTIVITY

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

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 254,704	\$ 262,999	\$ 8,295
Special Revenue	85,500	47,878	(37,622)
Enterprise	306,665	296,072	(10,593)

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 304,728	\$ 218,261	\$ 86,467
Special Revenue	53,210	42,146	11,064
Enterprise	344,465	305,346	39,119

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 263,338	\$ 260,294	\$ (3,044)
Special Revenue	45,100	37,413	(7,687)
Enterprise	781,769	749,558	(32,211)

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 290,400	\$ 250,391	\$ 40,009
Special Revenue	43,760	32,388	11,372
Enterprise	805,217	737,380	67,837

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

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.

5. 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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan - CP607	\$11,250	0.00%
Ohio Public Works Commission Loan - CT57E	1,651	0.00%
Anticipation Notes	52,900	3.75%
Ohio Water Development Authority Loan - 3931	62,981	0.00%
Ohio Water Development Authority Loan - 5707	29,926	4.17%
Ohio Water Development Authority Loan - 6305	59,659	2.00%
Total	<u>\$218,367</u>	

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, out of the Enterprise Fund.

The Village borrowed \$3,300 from the Ohio Public Works Commission in 2005 [CT57E] to be repaid in semiannual installments, with no interest, out of the Enterprise Fund.

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

6. DEBT – (continued)

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. The renewal of this note was on March 3, 2014 in the amount of \$61,310 at 3.75% interest rate.

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..

OWDA approved a loan for the Village Water Tank Planning & Design in late 2010, project loan number 5707, with a maximum of \$37,288. This loan is being repaid in semiannual payments of \$875 at 4.17% interest out of the Enterprise Fund. No amortization schedule has been finalized by OWDA as of December 31, 2014. The Village’s outstanding loan amount includes \$1,224 of current period capitalized interest at December 31, 2014.

OWDA approved a loan for the Village sewer system improvement project in late 2012; project loan number 6305, with a maximum of \$64,832 for the construction portion of the project at an interest rate of 2%. No amortization schedule has been finalized by OWDA as of December 31, 2014. The Village’s outstanding loan amount includes \$480 of current period capitalized interest at December 31, 2014.

Amortization of the above debt is scheduled as follows:

Year ending Decemebr 31:	OPWC Loan - CP607		
	Principal	Interest	Total
2015	\$7,500	\$0	\$7,500
2016	3,750	0	3,750
Total	\$11,250	\$0	\$11,250

Year ending Decemebr 31:	OPWC Loan - CT57E		
	Principal	Interest	Total
2015	\$165	\$0	\$165
2016	165	0	165
2017	165	0	165
2018	165	0	165
2019	165	0	165
2020-2024	826	0	826
Total	\$1,651	\$0	\$1,651

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

6. DEBT – (Continued)

Year ending Decemebr 31:	Anticipation Note		
	Principal	Interest	Total
2015	\$11,702	\$1,784	\$13,486
2016	12,144	1,342	13,486
2017	12,611	875	13,486
2018	13,093	393	13,486
2019	3,350	21	3,371
Total	<u>\$52,900</u>	<u>\$4,415</u>	<u>\$57,315</u>

Year ending Decemebr 31:	OWDA Loan - 3931		
	Principal	Interest	Total
2015	\$6,998	\$0	\$6,998
2016	6,998	0	6,998
2017	6,998	0	6,998
2018	6,998	0	6,998
2019	6,998	0	6,998
2020-2024	27,991	0	27,991
Total	<u>\$62,981</u>	<u>\$0</u>	<u>\$62,981</u>

7. RETIREMENT SYSTEM

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1 2013 through June 30, 2013, OP&F participants contributed 10% of their wages. From July 1, 2013 through June 30, 2014 they contributed 10.75% of their wages. From July 1, 2014 through December 31, 2014, OP&F participants contributed 11.50% of their wages. For 2013 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' 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 POOL MEMBERSHIP

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government 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.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2014 and 2013**

8. RISK POOL MEMBERSHIP – (Continued)

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% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 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 equity at December 31, 2012 and 2013 (the latest information available).

	2012	2013
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	\$6,413,188	\$5,805,909

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. INTERFUND ADVANCES

In 2014, the Village advanced \$12,000 of General Fund money to the Permissive Motor Vehicle License Tax Fund for several road projects. The advance was repaid in the same year when the Village received the Permissive Motor Vehicle License Tax funds from the county auditor.

10. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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

**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, OH 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 (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 March 11, 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.

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 a material weakness and a significant deficiency.

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 2014-001 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 2014-002 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-002.

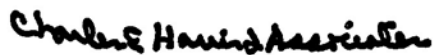
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 11, 2015.

Entity's Responses 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.



Charles E. Harris and Associates, Inc.
March 11, 2015

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2014 and 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2014-001 – Material Weakness

During 2013 and 2014, the Village erroneously recorded numerous transactions. The more significant adjustments are as follows:

- During 2013 and 2014, Homestead and Rollback receipts were misclassified as Property Taxes revenue instead of Intergovernmental revenue. For the General Fund, \$2,324 was misclassified in 2013 and \$2,336 was misclassified in 2014.
- During 2014, a receipt of permissive license tax monies was misclassified as an Advance-In instead of Intergovernmental revenue in the amount of \$12,100.
- During 2013, the Village continued to draw down on several OWDA loans. As a result, \$17,850 was paid directly to contractors, and the Village failed to account for these funds in their accounting system as Proceeds from Loan and Capital Outlay. Further, an additional \$7,596 was incorrectly recorded as Special Assessments rather than Proceeds from Loan.
- During 2014, the Village paid the remaining balance on an Anticipation Note, and subsequently obtained a new Anticipation Note from the same financial institution. However, they failed to record the payoff of the note and the proceeds of the new note as Principal Retirement and Proceeds from Notes in the amount of \$61,310.
- During 2014, the Village began operations of a Mayor's Court. While the Village properly established the necessary funds in UAN, they failed to properly utilize these funds to show all Mayor's Court activity. The Village only recorded the revenue amounts that were remitted to the Village in the General Fund and the Mayor's Court Computer Fund. They did not show the actual receipts and disbursement through the Mayor's Court Agency Fund as required.
- Capital Projects/Enterprise Funds - Project (CP110) 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: In 2013, Intergovernmental revenues in the amount of \$483,159 were reclassified from Capital Projects to Enterprise, as was \$488,096 in Capital Outlay. In 2014, \$355 was reclassified from Capital Projects to Enterprise in Capital Outlay.

Adjustments were made in the financial statements and the Village's records to reflect the proper presentation.

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.

We recommend that the Village refer to the Village Officer's Handbook and UAN accounting system, as well as guidance provided by the Auditor of State, to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by UAN to ensure their accuracy.

VILLAGE OF PERRYSVILLE
ASHLAND COUNTY

SCHEDULE OF FINDINGS – (continued)
December 31, 2014 and 2013

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)</p>
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Finding Number 2014-001 – Material Weakness - continued

Management Response:

The mayor and fiscal officer positions have been replaced recently. New management will review all transactions more thoroughly when posting. We will utilize the Village Officers' Handbook, UAN and other Auditor of State guidance when posting.

Finding Number 2014-002 – Noncompliance and Significant Deficiency

Ohio Administrative 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. Further, amended Certificates of Estimated Resources did not agree to the Village's computer system within several funds during the audit period.

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.

Further, the Fiscal Officer should post amendments to estimated resources when a new amended Certificate of Estimated Resources is requested and received from the County Auditor.

To enhance the Village's controls over budgetary processes, we recommend the original appropriations ordinance and budgeted revenue amounts be amended through Council ordinance/resolution and/or an amended Certificate of Estimated Resources to account for any budgetary adjustments throughout the fiscal year. The Village should not enter any appropriation or revenue budget amendments into the UAN system until they are formally approved by Village Council. Once this occurs, appropriation and revenue budget adjustments should be corrected in UAN to reflect the most recent information.

Management Response:

The mayor and fiscal officer positions have been replaced recently. New management will ensure that all budgetary information is properly entered into UAN so that Council will have accurate information from which to base monetary decisions.

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2014 and 2013**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Material Weakness - Financial Reporting: Various errors were noted in financial statements that required audit adjustments and reclassifications.	No	Not Corrected; Repeated as Finding 2014-001
2012-002	Ohio Revised Code Section 5705.41(B) – Expenditures are limited by appropriations.	Yes	
2012-003	Ohio Administrative Code 117-2-02(C)(1) – Integrating budgetary accounts into the financial accounting system.	No	Not Corrected; Repeated as Finding 2014-002



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
JUNE 23, 2015