



Dave Yost • Auditor of State

VILLAGE OF NORTH PERRY
LAKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of North Perry
Lake County
4449 Lockwood Road
North Perry, Ohio 44081

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of North Perry, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 audit opinions.

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

As described in Note 2 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 (GAAP), 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of North Perry, Lake County, Ohio as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2017

Village of North Perry, Ohio
Lake County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$524,094			\$524,094
Municipal Income Tax	1,018,626	\$128,447	\$128,445	1,275,518
Intergovernmental	499,903	122,941		622,844
Special Assessments	343			343
Charges for Services	10,525			10,525
Fines, Licenses and Permits	24,925			24,925
Earnings on Investments	72,815	15,237	25,438	113,490
Miscellaneous	12,500	10		12,510
<i>Total Cash Receipts</i>	<u>2,163,731</u>	<u>266,635</u>	<u>153,883</u>	<u>2,584,249</u>
Cash Disbursements				
Current:				
Security of Persons and Property	343,477			343,477
Public Health Services	93,583			93,583
Leisure Time Activities	687,210			687,210
Community Environment	34,170			34,170
Basic Utility Services	272,616			272,616
Transportation		166,603		166,603
General Government	559,817	185		560,002
Capital Outlay		67,347	341,621	408,968
<i>Total Cash Disbursements</i>	<u>1,990,873</u>	<u>234,135</u>	<u>341,621</u>	<u>2,566,629</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>172,858</u>	<u>32,500</u>	<u>(187,738)</u>	<u>17,620</u>
Other Financing Receipts (Disbursements)				
Transfers In		34,000		34,000
Transfers Out	(39,000)			(39,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(39,000)</u>	<u>34,000</u>		<u>(5,000)</u>
<i>Net Change in Fund Cash Balances</i>	133,858	66,500	(187,738)	12,620
<i>Fund Cash Balances, January 1</i>	<u>5,288,624</u>	<u>1,723,679</u>	<u>3,652,184</u>	<u>10,664,487</u>
Fund Cash Balances, December 31				
Restricted		1,790,179	3,464,446	5,254,625
Assigned	450,230			450,230
Unassigned	4,972,252			4,972,252
<i>Fund Cash Balances, December 31</i>	<u>\$5,422,482</u>	<u>\$1,790,179</u>	<u>\$3,464,446</u>	<u>\$10,677,107</u>

See accompanying notes to the basic financial statements

Village of North Perry, Ohio
Lake County

*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2016*

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Charges for Services	<u>\$4,800</u>
Operating Cash Disbursements	
Other	<u>5,000</u>
<i>Operating Loss</i>	<u>(200)</u>
Transfers In	<u>5,000</u>
<i>Net Change in Fund Cash Balances</i>	4,800
<i>Fund Cash Balances, January 1</i>	<u>5,775</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,575</u></u>

See accompanying notes to the basic financial statements

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of North Perry, Lake County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations (leisure time activities), rubbish collection, zoning, road maintenance, cable television, and police services.

The Village receives fire protection services from the Perry Joint Fire District. Note 10 of the financial statements provides additional information for this organization.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for the fiduciary fund type.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Capital Improvement Fund - This fund receives proceeds from municipal income taxes restricted to acquiring or constructing major capital projects.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

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 rental deposits received and returned for the rental of the Village Hall.

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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control for all funds; 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.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The demand deposits, money market accounts, certificates of deposit, commercial paper, and U.S. Treasury notes are valued at cost. The investment in STAR Ohio, (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, full-time employees are entitled to cash payments for one third of unused sick leave and any remaining unused vacation time, limited to the specific parameters in Personnel Handbook. The financial statements do not include a liability for unpaid leave.

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:

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

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.

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.

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

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance – (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,840,351	\$2,163,731	\$323,380
Special Revenue	178,000	300,635	122,635
Capital Projects	101,000	153,883	52,883
Total	\$2,119,351	\$2,618,249	\$498,898

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,492,620	\$2,033,808	\$458,812
Special Revenue	279,935	234,833	45,102
Capital Projects	350,000	341,621	8,379
Total	\$3,122,555	\$2,610,262	\$512,293

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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:

	2016
Demand deposits	\$68,543
Certificates of deposit	1,400,000
Money Market accounts	2,831,826
Total deposits	4,300,369
U.S. Treasury Notes	5,689,136
Commercial Paper	512,452
STAR Ohio	185,725
Total investments	6,387,313
Total deposits and investments	\$10,687,682

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool.

Investments The Federal Reserve holds the Village’s U.S. Treasury Notes in book-entry form in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2016 who must file a list of such property to the County by each April 30.

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

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Taxes – (Continued)

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers are also required to pay estimated taxes at least quarterly and file a final return annually. The tax is collected by CCA and remitted to the Village monthly.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides Health insurance, dental and life insurance coverage to full-time employees through a private carrier.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans – (Continued)

Ohio Police and Fire Retirement System

All of the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Contingent Liabilities

The Village is defendant in a local lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Note 10 – Jointly Governed Organizations

The Perry Fire District was created on September 27, 2002 by a joint resolution passed by Perry Township, the Village of Perry, and the Village of North Perry. The District is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District, of which one member is required to be an elected official from each entity. The District provides fire protection and rescue services within the District.

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Village of North Perry, Ohio
Lake County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$652,075				\$652,075
Municipal Income Tax	1,095,141	\$137,217		\$137,219	1,369,577
Intergovernmental	265,652	56,108			321,760
Charges for Services	2,800				2,800
Fines, Licenses and Permits	32,933				32,933
Earnings on Investments	78,006	11,881		2,878	92,765
Miscellaneous	74,513				74,513
<i>Total Cash Receipts</i>	<u>2,201,120</u>	<u>205,206</u>		<u>140,097</u>	<u>2,546,423</u>
Cash Disbursements					
Current:					
Security of Persons and Property	335,020				335,020
Public Health Services	77,294				77,294
Leisure Time Activities	682,418				682,418
Community Environment	22,715				22,715
Basic Utility Services	270,611				270,611
Transportation		189,532			189,532
General Government	728,460	12			728,472
Capital Outlay		59,330		243,921	303,251
Debt Service:					
Principal Retirement			\$635,000		635,000
Interest and Fiscal Charges			31,750		31,750
<i>Total Cash Disbursements</i>	<u>2,116,518</u>	<u>248,874</u>	<u>666,750</u>	<u>243,921</u>	<u>3,276,063</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>84,602</u>	<u>(43,668)</u>	<u>(666,750)</u>	<u>(103,824)</u>	<u>(729,640)</u>
Other Financing Receipts (Disbursements)					
Transfers In			666,750		666,750
Transfers Out	(666,750)				(666,750)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(666,750)</u>		<u>666,750</u>		
<i>Net Change in Fund Cash Balances</i>	(582,148)	(43,668)		(103,824)	(729,640)
<i>Fund Cash Balances, January 1</i>	<u>5,870,772</u>	<u>1,767,347</u>		<u>3,756,008</u>	<u>11,394,127</u>
Fund Cash Balances, December 31					
Restricted		1,723,679		3,652,184	5,375,863
Assigned	531,715				531,715
Unassigned	4,756,909				4,756,909
<i>Fund Cash Balances, December 31</i>	<u>\$5,288,624</u>	<u>\$1,723,679</u>	<u>\$0</u>	<u>\$3,652,184</u>	<u>\$10,664,487</u>

See accompanying notes to the basic financial statements

Village of North Perry, Ohio
Lake County

*Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2015*

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	
Charges for Services	<u>\$7,000</u>
Operating Cash Disbursements	
Other	<u>5,200</u>
<i>Net Change in Fund Cash Balances</i>	1,800
<i>Fund Cash Balances, January 1</i>	<u>3,975</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,775</u></u>

See accompanying notes to the basic financial statements

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of North Perry, Lake County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations (leisure time activities), rubbish collection, zoning, road maintenance, cable television, and police services.

The Village receives fire protection services from the Perry Joint Fire District. Note 11 of the financial statements provides additional information for this organization.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement - This fund receives transfers from the General Fund to be used for retirement of the Village's outstanding debt.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Capital Improvement Fund – This fund receives proceeds from municipal income taxes restricted to acquiring or constructing major capital projects.

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Basis of Accounting

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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.

Budgetary Process

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

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control for all funds; 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.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

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.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The demand deposits, money market accounts, certificates of deposit and U.S. Treasury notes are valued at cost. The investment in STAR Ohio, (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, full-time employees are entitled to cash payments for one third of unused sick leave and any remaining unused vacation time, limited to the specific parameters in Personnel Handbook. The financial statements do not include a liability for unpaid leave.

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:

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

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.

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.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fund Balance – (Continued)

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,013,679	\$2,201,120	\$187,441
Special Revenue	52,000	205,206	153,206
Debt Service	666,750	666,750	0
Capital Projects	93,100	140,097	46,997
Total	\$2,825,529	\$3,213,173	\$387,644

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,184,530	\$2,787,471	\$1,397,059
Special Revenue	494,145	249,304	244,841
Debt Service	666,750	666,750	0
Capital Projects	685,000	243,921	441,079
Total	\$6,030,425	\$3,947,446	\$2,082,979

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – 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:

	<u>2015</u>
Demand deposits	\$83,184
Certificates of deposit	1,600,000
Money Market accounts	<u>2,897,416</u>
Total deposits	<u>4,580,600</u>
U.S. Treasury Notes	5,904,926
STAR Ohio	<u>184,736</u>
Total investments	<u>6,089,662</u>
Total deposits and investments	<u><u>\$10,670,262</u></u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool.

Investments The Federal Reserve holds the Village’s U.S. Treasury Notes in book-entry form in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed only against local and inter-exchange telephone companies for 2016 who must file a list of such property to the County by each April 30.

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

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Taxes – (Continued)

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Central Collection Agency (CCA) either monthly or quarterly, as required. Corporations and other individual taxpayers are also required to pay estimated taxes at least quarterly and file a final return annually. The tax is collected by CCA and remitted to the Village monthly.

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village also provides Health insurance, dental and life insurance coverage to full-time employees through a private carrier.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Village of North Perry, Ohio
Lake County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - Defined Benefit Pension Plans – (Continued)

Ohio Police and Fire Retirement System

All of the Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Contingent Liabilities

The Village is defendant in a local lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Note 10- Debt

At January 1, 2015, the Village had \$635,000 of various purpose bonds outstanding which were originally issued for the purpose of beach enhancements. This debt was paid in full during 2015.

Note 11 – Jointly Governed Organizations

The Perry Fire District was created on September 27, 2002 by a joint resolution passed by Perry Township, the Village of Perry, and the Village of North Perry. The District is directed by an appointed six-member Board of Trustees. Two board members are appointed by each political subdivision within the District, of which one member is required to be an elected official from each entity. The District provides fire protection and rescue services within the District.

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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 North Perry
Lake County
4449 Lockwood Road
North Perry, Ohio 44081

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of North Perry, Lake County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 8, 2017, 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2017

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDING NUMBER 2016-001

Material Weakness – Financial Statement Adjustments

Management is responsible for implementing and maintaining an internal control system designed to enable management to determine the accuracy of the Village's financial statement transactions. Also, management is responsible for developing and maintaining complete and accurate financial records. **Governmental Accounting Standards Board (GASB) Statement No. 54** – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. **Statement 54 ¶15** indicates when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. **Auditor of State Bulletin 2011-004** provides additional guidance on GASB Statement 54.

Our financial statement testing noted the following:

- Special Revenue Funds' January 1, 2015, beginning cash fund balance was understated \$59,811, due to a bank account established for an EPA grant being excluded from the financial statements. Additionally, during 2015, earning on investments, ending restricted fund balance, capital outlay and general government disbursements were understated by \$13, \$482, \$59,330 and \$12, respectively, due the activity of this bank account not being reported. These items were adjusted to the financial statements by management.
- In 2016, Special Revenue Funds' intergovernmental receipts, miscellaneous receipts, capital outlay disbursements, general government disbursements and ending restricted fund balance were understated \$67,040, \$10, \$67,347, \$185, \$482, respectively, due to the activity from the aforementioned bank account not being reported. These items were adjusted to the financial statements by management.
- In 2016, General Fund, Special Revenue Funds', and Capital Project Funds' interest receipts were understated and municipal income tax receipts were overstated \$13,055, \$1,662 and \$1,633, respectively, due to financial statement classification errors. These items were adjusted to the financial statements by management.
- In 2016 and 2015, General Fund unassigned fund balance was overstated and assigned fund balance was understated \$450,230 and \$531,715, respectively due to subsequent year excess of budgeted disbursements over estimated receipts not being reported as assigned. These items were adjusted to the financial statements by management.

The Village should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: The Village understands the items brought to our attention and we will rectify them to the best of our abilities.

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VILLAGE OF NORTH PERRY

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 6, 2017