



**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PERRYSVILLE
ASHLAND COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Perrysville
Ashland County
131 North Bridge Street
Perrysville, Ohio 44864

To the Village Council:

We have audited the accompanying financial statements of the Village of Perrysville, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2001

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$190,917	\$0	\$0	\$190,917
Intergovernmental	47,259	27,182		74,441
Charges for Services		74,480		74,480
Fines, Licenses, and Permits	3,400			3,400
Earnings on Investments	1,451	660		2,111
Miscellaneous	2,039	8,267		10,306
Total Cash Receipts	<u>245,066</u>	<u>110,589</u>	<u>0</u>	<u>355,655</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	67,848	82,640		150,488
Public Health Services	531			531
Leisure Time Activities	555	5,828		6,383
Community Environment	266			266
Transportation	1,109	31,753		32,862
General Government	149,073			149,073
Debt Service				
Principal Payments	49,500	24,194	452,000	525,694
Interest Payments	21,241	2,995		24,236
Total Cash Disbursements	<u>290,123</u>	<u>147,410</u>	<u>452,000</u>	<u>889,533</u>
Total Cash Receipts Under Cash Disbursements	<u>(45,057)</u>	<u>(36,821)</u>	<u>(452,000)</u>	<u>(533,878)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		8,001		8,001
Proceeds of Notes			452,000	452,000
Transfers-In		4,000		4,000
Transfers-Out	(4,000)			(4,000)
Total Other Financing Receipts/(Disbursements)	<u>(4,000)</u>	<u>12,001</u>	<u>452,000</u>	<u>460,001</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	<u>(49,057)</u>	<u>(24,820)</u>	<u>0</u>	<u>(73,877)</u>
Fund Cash Balances, January 1	<u>55,590</u>	<u>44,803</u>	<u>0</u>	<u>100,393</u>
Fund Cash Balances, December 31	<u>\$6,533</u>	<u>\$19,983</u>	<u>\$0</u>	<u>\$26,516</u>
Reserves for Encumbrances, December 31	<u>\$2,795</u>	<u>\$1,499</u>	<u>\$0</u>	<u>\$4,294</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$198,864	\$0	\$198,864
Miscellaneous	693		693
Total Operating Cash Receipts	<u>199,557</u>	<u>0</u>	<u>199,557</u>
Operating Cash Disbursements:			
Personal Services	66,271		66,271
Contractual Services	24,759		24,759
Supplies and Materials	46,271		46,271
Capital Outlay	4,182		4,182
Total Operating Cash Disbursements	<u>141,483</u>	<u>0</u>	<u>141,483</u>
Operating Income	<u>58,074</u>	<u>0</u>	<u>58,074</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		4,913	4,913
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	50,000		50,000
Other Non-Operating Expenses		4,913	4,913
Total Non-Operating Cash Disbursements	<u>50,000</u>	<u>4,913</u>	<u>54,913</u>
Net Cash Receipts Over Cash Disbursements	8,074	0	8,074
Fund Cash Balances, January 1	<u>80,866</u>	<u>0</u>	<u>80,866</u>
Fund Cash Balances, December 31	<u>\$88,940</u>	<u>\$0</u>	<u>\$88,940</u>
Reserves for Encumbrances, December 31	<u>\$2,168</u>	<u>\$0</u>	<u>\$2,168</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$210,244	\$0	\$0	\$210,244
Intergovernmental	51,553	26,222		77,775
Charges for Services		78,772		78,772
Fines, Licenses, and Permits	2,523			2,523
Earnings on Investments	1,553	820		2,373
Miscellaneous	1,423	140		1,563
	<u>267,296</u>	<u>105,954</u>	<u>0</u>	<u>373,250</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	44,554	44,850		89,404
Public Health Services	593			593
Leisure Time Activities	571	5,928		6,499
Community Environment	285			285
Transportation	16,102	33,435		49,537
General Government	111,248			111,248
Debt Service:				
Principal Payments	49,000	23,316	554,000	626,316
Interest Payments	25,748	4,473		30,221
	<u>248,101</u>	<u>112,002</u>	<u>554,000</u>	<u>914,103</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,195</u>	<u>(6,048)</u>	<u>(554,000)</u>	<u>(540,853)</u>
Other Financing Receipts/(Disbursements):				
Sale of Fixed Assets		7,102		7,102
Proceeds of Notes			554,000	554,000
Transfers-In		5,000		5,000
Transfers-Out	(5,000)			(5,000)
	<u>(5,000)</u>	<u>12,102</u>	<u>554,000</u>	<u>561,102</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	14,195	6,054	0	20,249
Fund Cash Balances, January 1	41,395	38,749	0	80,144
Fund Cash Balances, December 31	<u>\$55,590</u>	<u>\$44,803</u>	<u>\$0</u>	<u>\$100,393</u>
Reserves for Encumbrances, December 31	<u>\$2,279</u>	<u>\$1,142</u>	<u>\$0</u>	<u>\$3,421</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$201,429	\$0	\$201,429
Miscellaneous	3,030		3,030
Total Operating Cash Receipts	<u>204,459</u>	<u>0</u>	<u>204,459</u>
Operating Cash Disbursements:			
Personal Services	66,359		66,359
Contractual Services	25,511		25,511
Supplies and Materials	52,961		52,961
Total Operating Cash Disbursements	<u>144,831</u>	<u>0</u>	<u>144,831</u>
Operating Income	<u>59,628</u>	<u>0</u>	<u>59,628</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		2,871	2,871
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	50,000		50,000
Other Non-Operating Expenses		2,871	2,871
Total Non-Operating Cash Disbursements:	50,000	2,871	52,871
Net Cash Receipts Over Cash Disbursements	9,628	0	9,628
Fund Cash Balances, January 1	<u>71,238</u>	<u>0</u>	<u>71,238</u>
Fund Cash Balances, December 31	<u>\$80,866</u>	<u>\$0</u>	<u>\$80,866</u>
Reserves for Encumbrances, December 31	<u>\$1,252</u>	<u>\$0</u>	<u>\$1,252</u>

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Perrysville, Ashland County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), police and fire services and a mayor's court.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

The Village had no investments during the audit period.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Fireman Safety Fund - This fund receives fire contract revenues from Green and Hanover Townships which are used to operate the fire department and emergency medical service.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2000 and 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Water Construction Fund - This fund receives proceeds of renewed revenue anticipation notes. The proceeds are used to repay debt for the construction of a water plant.

Sewer Construction Fund - This fund receives proceeds of renewed revenue anticipation notes. The proceeds are used to repay debt for the construction of sewer system facilities.

Access Road Fund - This fund receives proceeds of renewed bond anticipation notes. The proceeds are used to repay debt for the construction of an access road.

4. Enterprise Funds

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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 water service.

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

5. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

Mayor's Court Fund - This fund receives fines and costs from police tickets to cover the operation of the Police department.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$115,456	\$181,259

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 264,952	\$ 245,066	\$ (19,886)
Special Revenue	128,604	122,590	(6,014)
Capital Projects	654,241	452,000	(202,241)
Enterprise	202,866	199,557	(3,309)
Total	\$ 1,250,663	\$ 1,019,213	\$ (231,450)

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 320,542	\$ 296,918	\$ 23,624
Special Revenue	168,408	148,909	19,499
Capital Projects	654,241	452,000	202,241
Enterprise	252,866	193,651	59,215
Total	\$ 1,396,057	\$ 1,091,478	\$ 304,579

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 239,368	\$ 267,296	\$ 27,928
Special Revenue	113,250	118,056	4,806
Capital Projects	615,500	554,000	(61,500)
Enterprise	177,000	204,459	27,459
Total	\$ 1,145,118	\$ 1,143,811	\$ (1,307)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 280,765	\$ 255,380	\$ 25,385
Special Revenue	151,999	113,144	38,855
Capital Projects	615,500	554,000	61,500
Enterprise	248,239	196,083	52,156
Total	\$ 1,296,503	\$ 1,118,607	\$ 177,896

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds prior to making certain expenditures during 2000 and 1999.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF PERRYSVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 116,250	0%
Revenue Anticipation Note (Water System)	295,000	4.85%
Revenue Anticipation Note (Sewer System)	57,000	4.85%
Bond Anticipation Note (Street Improvement)	100,000	4.80%
Municipal Lease (Fire Apparatus)	31,256	6.59%
Municipal Lease (Backhoe)	34,267	6.25%
Total	\$ 633,773	

The Village obtained an Ohio Public Works Commission (OPWC) project loan for the purpose of improving the Village water system based on mandates from the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments, with no interest, over 15 years. Final maturity on the loan will be in 2016.

The Village obtained Revenue and Bond anticipation notes from Huntington National Bank for the purpose of improving the Village's water system, sewer system, and streets needed for a major employer of the Village. The street improvement and sewer system notes were originally issued in 1995 and the water system note was originally issued in 1996. These anticipation notes are being renewed on an annual basis with a portion of the principal being redeemed each year.

On July 1, 1993, the Village entered into a Municipal Lease agreement with Emergency One, Inc. with the option to purchase a pumper fire apparatus for its 1993 Freightliner fire truck. The total amount of the lease including interest is \$154,701. Annual installments of \$17,189, including interest will be repaid over nine years. The lease is paid from the Special Revenue Fireman's Safety Fund, which receives fire contract revenues from nearby townships.

On May 16, 2000, the Village entered into a Municipal Lease agreement with Case Credit with the option to purchase a backhoe. The total amount of the lease including interest is \$38,637. Annual installments of \$12,879, including interest will be repaid over three years. The lease is paid from the General Fund.

**VILLAGE OF PERRYVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

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

Year Ending December 31:	OPWC Loan	Revenue Anticipation Note	Bond Anticipation Note	Municipal Leases	Total
2001	\$ 7,500	\$ 369,072	\$ 104,800	\$ 30,069	\$ 511,441
2002	7,500			30,069	37,569
2003	7,500			12,879	20,379
2004	7,500				7,500
2005	7,500				7,500
Subsequent	<u>78,750</u>				<u>78,750</u>
Total	<u>\$ 116,250</u>	<u>\$ 369,072</u>	<u>\$ 104,800</u>	<u>\$ 73,017</u>	<u>\$ 663,139</u>

6. RETIREMENT SYSTEMS

The Village's full-time law enforcement officer belongs to the Police & Firemen's Disability & Pension Fund (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% in 2000 and 13.55% in 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Law enforcement liability
- Public officials' liability

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

8. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Perrysville
Ashland County
131 North Bridge Street
Perrysville, Ohio 44864

To the Village Council:

We have audited the accompanying financial statements of the Village of Perrysville, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 2, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2000-30503-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2000-30503-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 2, 2001.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 2, 2001

VILLAGE OF PERRYSVILLE
ASHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding Number	2000-30503-001
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Noncompliance

Ohio Rev. Code Section 5705.41(D) states, in part, that:

No subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Of the transactions tested for the audit period, 30% were not certified by the Clerk-Treasurer prior to the obligation date of the expenditure. In addition, neither of the two exceptions were utilized. Failure to certify the availability of funds prior to entering into the commitment could result in making commitments in excess of available funds. The Village should establish procedures to help ensure that all expenditures are certified prior to their obligation.

Finding Number	2000-30503-002
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Reportable Condition

Electronic Imaging of Checks

The Village does not receive cancelled checks from its bank. Rather the bank merely sends the Village an electronic image of the front of the cancelled checks. This does not allow the Village to determine whether checks were properly endorsed by the appropriate party.

The Village should follow the guidance set forth in Auditor of State Bulletin 96-006 issued on February 26, 1996 which states in part, in order for the electronic image to be sufficient evidential matter, an adequate audit record must be preserved. For example, the imaging of the reverse side of the check must occur, and it must be clear which back side of a check matches its front side. In addition, the imaging must be large enough to determine that no alteration to the original documents has occurred. The Village must also ensure that the bank retains the original as well as the duplicate checks in accordance with the records retention schedule to which the Village is subject under Ohio Rev. Code Chapter 149. The original paper checks are public records, subject to the records retention schedule applicable to the Village regardless of whether the documents are in the Village's possession or in the possession of the financial institution.



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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
MAY 8, 2001**