



**VILLAGE OF NORTH PERRY
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2001



**Auditor of State
Betty Montgomery**

VILLAGE OF NORTH PERRY
LAKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of North Perry, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit 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 audit provides a reasonable basis for our opinion.

As described 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 of North Perry, Lake County, as of December 31, 2002 and December 31, 2001, 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 June 9, 2003 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, the 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

June 9, 2003

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VILLAGE OF NORTH PERRY
LAKE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDING DECEMBER 31, 2002**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 390,724	\$0	\$0	\$ 390,724
Other State Shared Taxes and Permits	0	245,883	0	245,883
Municipal Income Tax	12,199	847,996	0	860,195
Intergovernmental	681,112	24,311	0	705,423
Charges for Services	3,752	0	0	3,752
Fines, Licenses and Permits	27,484	0	0	27,484
Earnings on Investments	419,419	65,963	0	485,382
Miscellaneous	11,269	0	0	11,269
Total Cash Receipts	1,545,959	1,184,153	0	2,730,112
Cash Disbursements:				
Current:				
Security of Persons and Property	600,167	0	0	600,167
Public Health Services	150,506	0	0	150,506
Leisure Time Activities	409,165	0	0	409,165
Community Environment	91,918	0	0	91,918
Basic Utility Services	205,239	0	0	205,239
Transportation	0	210,734	990	211,724
General Government	439,263	0	0	439,263
Capital Outlay	0	0	35,097	35,097
Total Cash Disbursements	1,896,258	210,734	36,087	2,143,079
Total Receipts Over/(Under) Disbursements	(350,299)	973,419	(36,087)	587,033
Other Financing Receipts/(Disbursements):				
Other Financing Uses	(2,500)	0	0	(2,500)
Total Other Financing Receipts/(Disbursements)	(2,500)	0	0	(2,500)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(352,799)	973,419	(36,087)	584,533
Fund Cash Balance, January 1, 2002	7,175,135	1,217,004	2,164,216	10,556,355
Fund Cash Balance, December 31, 2002	\$ 6,822,336	\$ 2,190,423	\$ 2,128,129	\$ 11,140,888
Reserve for Encumbrances, December 31, 2002	\$ 88,235	\$ 590,257	\$ 900	\$ 679,392

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

VILLAGE OF NORTH PERRY
LAKE COUNTY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - FIDUCIARY FUND TYPE - AGENCY FUND
FOR THE YEAR ENDING DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$6,800
Total Operating Cash Receipts	6,800
Operating Cash Disbursements:	
Current:	
Rental Deposits	6,930
Total Operating Cash Disbursements	6,930
Operating Income/(Loss)	(130)
Fund Cash Balance, January 1, 2002	4,243
Fund Cash Balance, December 31, 2002	\$ 4,113
Reserve for Encumbrances, December 31, 2002	\$ 200

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

VILLAGE OF NORTH PERRY
LAKE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDING DECEMBER 31, 2001**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$894,417	\$0	\$0	\$894,417
Municipal Income Tax	0	849,529	0	849,529
Intergovernmental	188,364	23,556	0	211,920
Charges for Services	4,043	0	0	4,043
Fines, Licenses and Permits	18,404	0	0	18,404
Earnings on Investments	473,203	27,685	0	500,888
Miscellaneous	19,235	0	0	19,235
Total Cash Receipts	1,597,666	900,770	0	2,498,436
Cash Disbursements:				
Current:				
Security of Persons and Property	85,373	0	0	85,373
Public Health Services	184,771	0	0	184,771
Leisure Time Activities	408,564	0	0	408,564
Community Environment	90,325	0	0	90,325
Basic Utility Services	203,251	0	0	203,251
Transportation	169	374,848	5,797	380,814
General Government	423,362	0	0	423,362
Capital Outlay	0	0	32,809	32,809
Total Cash Disbursements	1,395,815	374,848	38,606	1,809,269
Total Receipts Over/(Under) Disbursements	201,851	525,922	(38,606)	689,167
Other Financing Receipts/(Disbursements):				
Other Financing Uses	(21,797)	0	0	(21,797)
Total Other Financing Receipts/(Disbursements)	(21,797)	0	0	(21,797)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	180,054	525,922	(38,606)	667,370
Fund Cash Balance, January 1, 2001	6,995,081	691,082	2,202,822	9,888,985
Fund Cash Balance, December 31, 2001	\$ 7,175,135	\$ 1,217,004	\$ 2,164,216	\$ 10,556,355
Reserve for Encumbrances, December 31, 2001	\$ 33,359	\$ 610,766	\$ 990	\$ 645,115

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

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - FIDUCIARY FUND TYPE - AGENCY FUND
FOR THE YEAR ENDING DECEMBER 31, 2001**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Charges for Services	\$6,000
Total Operating Cash Receipts	6,000
Operating Cash Disbursements:	
Current:	
Rental Deposits	5,750
Total Operating Cash Disbursements	5,750
Operating Income/(Loss)	250
Fund Cash Balance, January 1, 2001	3,993
Fund Cash Balance, December 31, 2001	\$ 4,243
Reserve for Encumbrances, December 31, 2001	\$ 200

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

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of North Perry, Lake 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 water and sewer utilities, park operations (leisure time activities), rubbish collection, zoning, road maintenance, cable television and police services.

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 and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit, repurchase agreements, Federal National Mortgage Association Bonds, Federal Home Loan Mortgage Corporation Bonds and Federal Home Loan Bank Bonds are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 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 Fund

This fund is 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 Fund:

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

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project 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 Project Fund:

Capital Project II Fund – This fund is used to account for the repair and maintenance of the Village’s driveways.

4. Fiduciary Funds (Agency Funds)

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

Rental Deposit Fund – This fund is used to account for security deposits received and returned for rental of the Village Hall.

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 fund, function level for the general fund and fund level for all other funds, and appropriations may not exceed estimated resources. The 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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$103,078	(\$62,443)
Certificates of deposit	5,781,354	4,678,144
Total deposits	<u>5,884,432</u>	<u>4,615,701</u>
Repurchase Agreement	0	420,000
Federal National Mortgage Association Bonds	2,156,160	1,552,250
STAR Ohio	1,496,366	1,970,522
Federal Home Loan Mortgage Corporation Bonds	0	497,750
Money Market	1,106,168	0
Federal Home Loan Bank Bonds	501,875	1,504,375
Total investments	<u>5,260,569</u>	<u>5,944,897</u>
Total deposits and investments	<u><u>\$11,145,001</u></u>	<u><u>\$10,560,598</u></u>

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

Investments: U.S. Treasury Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank bonds and Federal Home Loan Mortgage Corporation Bonds are held in book-entry form by the Federal Reserve, 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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,644,006	\$1,791,842	\$147,836
Special Revenue	821,800	938,270	116,470
Capital Projects	0	0	0
Agency	7,000	6,800	(200)
Total	<u>\$2,472,806</u>	<u>\$2,736,912</u>	<u>\$264,106</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,639,909	\$1,986,993	\$1,652,916
Special Revenue	2,038,466	800,991	1,237,475
Capital Projects	2,050,990	36,987	2,014,003
Agency	11,060	7,130	3,930
Total	<u>\$7,740,425</u>	<u>\$2,832,101</u>	<u>\$4,908,324</u>

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,726,096	\$1,597,666	(\$128,430)
Special Revenue	762,700	900,769	138,069
Capital Projects	0	0	0
Agency	8,000	6,000	(2,000)
Total	<u>\$2,496,796</u>	<u>\$2,504,435</u>	<u>\$7,639</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,942,219	\$1,450,971	\$2,491,248
Special Revenue	1,450,745	985,614	465,131
Capital Projects	2,069,597	39,596	2,030,001
Agency	11,860	5,950	5,910
Total	<u>\$7,474,421</u>	<u>\$2,482,131</u>	<u>\$4,992,290</u>

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 percent on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a 100 percent credit on the income earned outside the Village and paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Central Collection Agency (CCA) at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The tax is collected by CCA and remitted to the Village monthly.

**VILLAGE OF NORTH PERRY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

5. MUNICIPAL INCOME TAX DISTRIBUTION

In 2002, the Village began receiving money distributed from the income tax paid by electric companies to the State of Ohio in accordance with ORC Section 5745. These monies are reported as "Other State Shared Taxes and Permits" in the accompanying financial statements.

6. 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.

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

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.

During 2002 the County changed the way that personal property tax was assessed on the Perry Nuclear Power Plant. This resulted in reclassifications and faster depreciations of assets. The Power plant also reorganized (removed/absorbed) some of their holding companies. The County also determined that the Power plant's taxes would be collected in the subsequent year instead of at the beginning of the year. These changes resulted in a significant loss of personal property tax revenue for the Village in 2002. Tax revenue is expected to increase slightly in 2003, but not return to its previous level.

7. RETIREMENT SYSTEMS

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

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.

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Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the financial statements of the Village of North Perry, Lake County, Ohio, (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 9, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated June 9, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. 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 material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 June 9, 2003.

Village of North Perry
Lake County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 9, 2003



**Auditor of State
Betty Montgomery**

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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
JULY 15, 2003**