FAIRFIELD, HOCKING, LICKING AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

FAIRFIELD, HOCKING, LICKING, AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

TABLE OF CONTENTS

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INDEPENDENT ACCOUNTANTS' REPORT

Fairfield, Hocking, Licking and Perry
Multi-County Detention District
Fairfield County
923 Liberty Center Drive
Lancaster, Ohio 43130

To the Joint Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fairfield, Hocking, Licking and Perry Multi-County Detention District, Fairfield County, Ohio (the District), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of the Fairfield, Hocking, Licking and Perry Multi-County Detention District, Fairfield County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007, on our consideration of the District'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Fairfield, Hocking, Licking, and Perry Multi-County Detention District (the District) financial performance provides an overall review of the District's financial activities for the year ended December 31, 2006, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2006 were as follows:

> Net assets of governmental activities increased $70,293 or approximately 12.7 percent as compared to 2005. The primary reasons for the increase in cash balances was due to an increase of program receipts and a decrease in capital outlay costs.
>
> The District's general receipts are primarily member county contributions and other miscellaneous revenue. These receipts represent approximately 75.4 percent of the total cash received for governmental activities during the year. Member county contributions remained consistent as compared to 2005 to fund the operations of the facility.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present the District's two funds in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental object draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Within the limitations of the cash basis of accounting, these changes are one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, other non-financial factors should be considered as well, including the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

The statement of net assets and the statement of activities present governmental activities, which includes all the District's services. The District's general receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. The District has no business-type activities.

Reporting the District's Funds

Fund financial statements provide detailed information about the District's major funds - not the District as a whole. The District establishes separate funds to better manage its many activities. This helps demonstrate that money that is restricted as to how it may be used, is being spent for the intended purpose. All of the District's funds are governmental.

Governmental Funds - The District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The District has only two funds which are both presented as majors. The District has no non-major funds (funds whose activity or balances are not large enough to warrant separate reporting). Because the District reports on a cash basis, the total of the governmental funds matches governmental activities and no reconciliation is required.

The District as a Whole

Table 1 provides a summary of the District's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash	$ 620,168	$ 549,875
Total Assets	620,168	549,875
Net Assets		
Restricted for:		
Capital Outlay	455	455
Unrestricted	619,713	549,420
Total Net Assets	$ 620,168	$ 549,875

As mentioned previously, net assets of governmental activities increased $70,293 or approximately 12.7 percent during 2006. The primary reasons for the increase in cash balances was due to an increase of program receipts and a decrease in capital outlay costs. Member county contributions stayed consistent as compared to 2005 to fund operations of the facility.

Table 2 reflects the changes in net assets in 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	$ 526,465	$ 476,448
Operating Grants and Contributions	117,442	56,494
Total Program Receipts	643,907	532,942
General Receipts:		
Member County Contributions	1,942,504	1,942,536
Miscellaneous	33,462	36,713
Total General Receipts	1,975,966	1,979,249
Total Receipts	2,619,873	2,512,191
Disbursements:		
General Government:		
Personal Services	1,493,343	1,353,515
Fringe Benefits	578,507	586,817
Materials and Supplies	180,026	175,800
Contractual Services	278,749	268,005
Total General Government	2,530,625	2,384,137
Capital Outlay	18,955	270,837
Total Disbursements	2,549,580	2,654,974
Increase (Decrease) in Net Assets	70,293	(142,783)
Net Assets Beginning of Year	549,875	692,658
Net Assets End of Year	$620,168	$549,875

In 2006, program receipts represent approximately 24.6 percent of total receipts and are primarily comprised of charges for services, including tuition reimbursements and rental income, and intergovernmental revenue.

General receipts represent approximately 75.4 percent of the District's total receipts, and of this amount, over 98 percent are member county contributions. Miscellaneous receipts are usually minimal and vary each year.

Disbursements for General Government represent the overhead costs of running the District. General Government disbursements represented 99 percent of total disbursements and are comprised of employee wages and benefits, materials and supplies, and contractual services.

Governmental Activities

The first column on the Statement of Activities for 2006 lists the major disbursement categories of the District. The next column identifies the amount of these disbursements. In 2006, the major program disbursements for governmental activities were General Government, which accounted for 99 percent of all disbursements. The next two columns entitled Program Receipts identify amounts paid by people who are directly charged for the service, and grants and contributions received by the District that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by member county contributions. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government:				
Personal Services	$1,493,343	$1,116,194	$1,353,515	$1,081,820
Fringe Benefits	578,507	432,402	586,817	469,023
Materials and Supplies	180,026	134,559	175,800	140,511
Contractual Services	278,749	208,350	268,005	214,207
Capital Outlay	18,955	14,168	270,837	216,471
Total Expenses	$2,549,580	$1,905,673	$2,654,974	$2,122,032

In 2006, approximately 25.3 percent of disbursements were supported by program receipts. The remaining 74.7 percent of governmental activities were supported by member county contributions and fund balance.

The District's Funds

In 2006, total governmental funds had receipts of $2,619,873 and disbursements of $2,549,580. The fund balance of the General Fund increased from 2005 by $70,293 as result of tuition reimbursements and rental income to the fund operations of the facility. The Construction fund had no activity for 2006.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law which requires the District estimate receipts, approve appropriations, and encumber funds. The most significant budgeted fund is the General Fund.

The District amended budgeted receipts and appropriations during 2006. Actual receipts of $2,619,873 were $63,207 more than anticipated due to increased rental income and tuition reimbursements. Actual disbursements of $2,678,020 were $315,456 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

The District does not currently report its capital assets and infrastructure.

Debt

At December 31, 2006, the District had no outstanding debt.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ursula LaVeck, Fiscal Officer and Human Services Director, 923 Liberty Center Drive, Lancaster, Ohio 43130.

FAIRFIELD, HOCKING, LICKING AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Cash	$ 620,168
Total Assets	620,168
Net Assets	
Restricted for:	
Capital Outlay	455
Unrestricted	619,713
Total Net Assets	$ 620,168

See accompanying notes to the basic financial statements

FAIRFIELD, HOCKING, LICKING, AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government				
Personal Services	$ 1,493,343	$ 308,361	$ 68,788	$ (1,116,194)
Fringe Benefits	578,507	119,457	26,648	(432,402)
Materials and Supplies	180,026	37,174	8,293	(134,559)
Contractual Services	278,749	57,559	12,840	(208,350)
Capital Outlay	18,955	3,914	873	(14,168)
Total Governmental Activities	$ 2,549,580	$ 526,465	$ 117,442	(1,905,673)
		General Receipts		
		Member County Contributions		1,942,504
		Miscellaneous		33,462
		Total General Receipts		1,975,966
		Change in Net Assets		70,293
		Net Assets Beginning of Year		549,875
		Net Assets End of Year		$ 620,168

See accompanying notes to the basic financial statements

FAIRFIELD, HOCKING, LICKING, AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Construction Fund	Total Governmental Funds
Assets			
Cash	$ 619,713	$ 455	$ 620,168
Total Assets	619,713	455	620,168
Fund Balances			
Reserved:			
Reserved for Encumbrances	128,440	-	128,440
Unreserved:			
Undesignated, Reported in:			
General Fund	491,273	-	491,273
Capital Projects Funds	-	455	455
Total Fund Balances	$ 619,713	$ 455	$ 620,168

See accompanying notes to the basic financial statements

FAIRFIELD, HOCKING, LICKING, AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Construction Fund	Total Governmental Funds
Receipts			
Charges for Services	$ 526,465	$ -	$ 526,465
Member County Contributions	1,942,504	-	1,942,504
Intergovernmental	117,442	-	117,442
Miscellaneous	33,462	-	33,462
Total Receipts	2,619,873	-	2,619,873
Disbursements			
Current:			
General Government			
Personal Services	1,493,343	-	1,493,343
Fringe Benefits	578,507	-	578,507
Materials and Supplies	180,026	-	180,026
Contractual Services	278,749	-	278,749
Total General Government	2,530,625	-	2,530,625
Capital Outlay	18,955	-	18,955
Total Disbursements	2,549,580	-	2,549,580
Net Change in Fund Balances	70,293	-	70,293
Fund Balances Beginning of Year	549,420	455	549,875
Fund Balances End of Year	$ 619,713	$ 455	$ 620,168

See accompanying notes to the basic financial statements

FAIRFIELD, HOCKING, LICKING, AND PERRY
MULTI-COUNTY DETENTION DISTRICT
FAIRFIELD COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Charges for Services	$ 355,624	$ 474,330	$ 526,465	$ 52,135
Member County Contributions	2,026,922	1,942,501	1,942,504	3
Intergovernmental	94,184	109,936	117,442	7,506
Miscellaneous	17,600	29,899	33,462	3,563
Total receipts	2,494,330	2,556,666	2,619,873	63,207
Disbursements				
Current:				
General Government				
Personal Services	1,525,326	1,525,326	1,493,343	31,983
Fringe Benefits	724,733	726,733	578,507	148,226
Materials and Supplies	250,860	252,240	203,076	49,164
Contractual Services	382,400	403,500	325,703	77,797
Total General Government	2,883,319	2,907,799	2,600,629	307,170
Capital Outlay	47,822	85,677	77,391	8,286
Total Disbursements	2,931,141	2,993,476	2,678,020	315,456
Net Change in Fund Balance	(436,811)	(436,810)	(58,147)	378,663
Fund Balance Beginning of Year	505,184	505,184	505,184	-
Prior Year Encumbrances Appropriated	44,236	44,236	44,236	-
Fund Balance End of Year	$ 112,609	$ 112,610	$ 491,273	$ 378,663

See accompanying notes to the basic financial statements

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Note 1 - Reporting Entity

The Fairfield, Hocking, Licking, and Perry Multi-County Detention District, Fairfield County, Ohio (the District) was created on September 22, 2000 in accordance with 2151.343 of the Ohio Revised Code. The District 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. The District is a joint venture operated by Fairfield, Hocking, Licking, and Perry Counties for the purpose of providing short-term care in a secure facility for juveniles who are accused, pending court action, adjudicated, or awaiting transfer to another facility.

The District is operated by a twelve-member Joint Board of Commissioners and a twelve-member Board of Trustees. The Joint Board of Commissioners consists of all of the Commissioners from the four counties in the District. The Joint Board of Commissioners exercises total control over the operation of the District, including budgeting, appropriation, contracting, and designating management. The Joint Board of Commissioners appoints the Board of Trustees to operate the District.

The District's purpose is to not accumulate significant financial resources or experience fiscal stress that would cause additional financial benefit to, or burden on, the counties involved.

Jointly Governed and Other Related Organization. A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The District participates in the County Risk Sharing Authority (CORSA), a public entity risk pool. Note 8 to the basic financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the District. All of the District's activities are considered governmental.

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental activities generally are financed through charges for services, member county contributions, intergovernmental revenues or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at year-end. The statement of activities compares disbursements with program receipts for each of the District's governmental activities. Disbursements are reported by function/object. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions, restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental object is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The District uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. All of the District's funds are governmental.

Governmental Funds

The District classifies funds financed primarily from intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund and Construction Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in the Construction Fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio. The Construction Fund accounts for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and appropriations, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the District's Joint Board of Commissioners may appropriate.

Appropriations are the Joint Board of Commissioners authorization to spend resources and sets limits on expenditures plus encumbrances at the level of control selected by the Joint Board of Commissioners. The legal level of control has been established at the fund/function level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District's Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Joint Board of Commissioners.

Appropriations are subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Joint Board of Commissioners during the year.

E. Cash and Investments

As required by the Ohio Revised Code, the Fairfield County Treasurer holds the District's cash as custodian for the District. The District's assets are held in the County's cash and investment pool, and are valued at the Treasurer's reported carrying amount.

F. Capital Assets

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

G. Accumulated Leave

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

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital projects relating to the construction of the detention center facility.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year-end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to $128,440 for the General Fund.

Note 4 - Funding

The Joint Board of Commissioners has the responsibility for funding the District in accordance with one of the following methods:

1. In proportion to the number of children from such county who are maintained in the home during the year;
2. By a levy submitted to the Joint Board of Commissioners under Division (A) of Section 5705.19 of the Ohio Revised Code and approved by the electors of the District;
3. In proportion to the taxable property of each county, as shown on the tax duplicate; and
4. In any combination of the above.

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability and property insurance, the District has addressed these various types of risk.

The CORSA program has a $2,500 deductible. General liability insurance is maintained in the amount of $1,000,000 for each occurrence, $5,000,000 umbrella, and no annual aggregate.

Note 6 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The District's contribution rate for pension benefits for 2006 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006, 2005, and 2004 were $137,309, $121,247, and $103,820, respectively; 91.6 percent has been contributed for 2006, and 100 percent has been contributed for 2005 and 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

Note 6 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

During 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations for the years ended December 31, 2006, 2005, and 2004 were $14,390, $11,180 and $9,271, respectively. The District paid 92.3 percent of contributions at the close of the year and 100 percent has been contributed for 2005 and 2004.

Note 7 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Note 7 - Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 that were used to fund postemployment benefits were $67,325. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

The District provides comprehensive health care benefits to retired teachers and their dependents though the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by STRS Ohio based on authority granted by State statute. STRS Ohio is funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For 2006, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled $1,100 for 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the fund was $3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS had 115,395 eligible benefit recipients.

Note 8 - Public Entity Risk Pool

The County Risk Sharing Authority, Inc. (CORSA) is a shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, which will be cast by a designated representative. An elected board of not more than nine trustees manages the affairs of the Corporation. Only County Commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the members' obligations to make coverage payments to CORSA. The participating members have no responsibility for the payment of the certificates. The District does not have an equity interest in CORSA. The District's payment for insurance to CORSA in 2006 was $17,967.

Note 9 - Other Employer Benefits

The District provides health, drug, dental, vision, and Employee Assistance Program (EAP) family and single insurance coverage purchased through the Franklin County Cooperative for all eligible employees. Health is provided by United HealthCare, drug is provided by Catalyst Rx, dental is provided by Aetna, vision is provided by Spectera, and EAP is provided by Mt. Carmel Behavioral Health. The District pays monthly premiums for employees at varying percentages based on employee contracts.

The District provides life insurance and accidental death and dismemberment insurance to most employees through the United States Life Insurance Company.

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Fairfield, Hocking, Licking and Perry
Multi-County Detention District
Fairfield County
923 Liberty Center Drive
Lancaster, Ohio 43130

To the Joint Board of Commissioners:

We have audited the financial statements of the governmental activities and each major fund of the Fairfield, Hocking, Licking, and Perry Multi-County Detention District, Fairfield County, Ohio (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 12, 2007, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated September 12, 2007.

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Compliance and Other Matters

As part of reasonably assuring whether the District'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, providing an opinion 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*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated September 12, 2007.

We intend this report solely for the information and use of the Joint Board of Commissioners and management. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 12, 2007

FAIRFIELD, HOCKING, LICKING AND PERRY MULTI-COUNTY DETENTION DISTRICT

FAIRFIELD 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
OCTOBER 18, 2007