



**Auditor of State
Betty Montgomery**

PERRY COUNTY
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PERRY COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the County Board of Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of PERCO Inc., the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for PERCO Inc. on the report of the other auditors.

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.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, Job and Family Services Fund, Mental Retardation and Developmental Disabilities Fund, and Auto License and Gasoline Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of the County'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.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures (the Schedule) is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

December 22, 2006

Perry County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of Perry County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net cash assets of governmental activities increased \$2,787,927. Net cash assets of the business-type activities decreased \$29,342,
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$9,821,575, an increase of \$2,293,627 from the prior year.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to Perry County's Modified Cash Financial Statements. Perry County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

County-Wide Financial Statements

The County-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets - Modified Cash Basis* presents information on Perry County's modified cash assets.

The *Statement of Activities - Modified Cash Basis* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of Perry County that are principally supported by taxes and intergovernmental receipts (governmental activities).

In the statement of net assets and the statement of activities, the County is divided into two kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here, including general government, public safety, public works, health, human services, and conservation and development. These services are funded primarily by taxes and intergovernmental receipts, including federal and state grants and other shared receipts.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or most of the cost of the services provided. The County's sewer and water systems are reported here.

Component Units - The County's financial statements include financial data of Perco, Inc. The component unit is described in the notes to the financial statements. Component units are separate legal entities which may buy, sell, lease, and mortgage property in their own name and sue or be sued in their own name.

Perry County, Ohio
Management's Discussion and Analysis
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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. The County's major governmental funds are the General Fund and the Job and Family Services, Mental Retardation and Developmental Disabilities, and Auto License and Gasoline Tax Special Revenue Funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year end balances available for spending.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund *Statement of Modified Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance* for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The County uses enterprise funds to account for the Sewer and Water Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The Self-Insurance Fund accounts for the claims and liabilities relating to the County's self-insured health program.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Government-Wide Financial Analysis

This is the second year that Perry County has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Statement No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section. Since this is the second year of implementing the new standard, comparative data is available and is presented in Table 1.

Perry County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Perry County's Net Assets - Modified Cash Basis

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Equity in Pooled Cash and Cash Equivalents	\$9,508,639	6,940,917	\$852,804	\$882,146	\$10,361,443	\$7,823,063
Cash in Segregated Accounts	61,675	49,525	0	0	61,675	49,525
Investments	968,242	760,187	0	0	968,242	760,187
<i>Totals Assets</i>	<u>10,538,556</u>	<u>7,750,629</u>	<u>852,804</u>	<u>882,146</u>	<u>11,391,360</u>	<u>8,632,775</u>
Net Assets						
Restricted for:						
Capital Projects	303,623	354,870	0	0	303,623	354,870
Debt Service	0	4,092	0	0	0	4,092
Other Purposes	7,742,498	5,935,230	0	0	7,742,498	5,935,230
Unclaimed Monies	59,147	91,854	0	0	59,147	91,854
Unrestricted	2,433,288	1,364,583	852,804	882,146	3,286,092	2,246,729
<i>Total Net Assets</i>	<u>\$10,538,556</u>	<u>\$7,750,629</u>	<u>\$852,804</u>	<u>\$882,146</u>	<u>\$11,391,360</u>	<u>\$8,632,775</u>

A portion of the County's net assets, \$8,105,268 or 77 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$3,286,092, or 29 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2005, and comparisons to fiscal year 2004.

Perry County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

	Governmental	Business-Type		Governmental	Business-Type	
	Activities	Activities	Total	Activities	Activities	Total
	2005	2005	2005	2004	2004	2004
Receipts						
Program Receipts						
Charges for Services	\$3,442,904	\$1,453,305	\$4,896,209	\$2,770,090	\$960,477	\$3,730,567
Operating Grants, Contributions, and Interest	17,514,351	0	17,514,351	15,653,108	0	15,653,108
Capital Grants, Contributions, and Interest	2,563,797	26,352	2,590,149	845,732	0	845,732
<i>Total Program Receipts</i>	<i>23,521,052</i>	<i>1,479,657</i>	<i>25,000,709</i>	<i>19,268,930</i>	<i>960,477</i>	<i>20,229,407</i>
General Receipts and Transfers						
Property Taxes	4,838,106	0	4,838,106	4,386,851	0	4,386,851
Conveyance Fees	0	0	0	270,363	0	270,363
Permissive Sales Taxes	1,776,149	0	1,776,149	1,667,327	0	1,667,327
Intergovernmental	1,592,666	0	1,592,666	756,217	0	756,217
Interest	287,485	0	287,485	76,129	0	76,129
Payment in Lieu of Taxes	276,204	0	276,204	91,989	0	91,989
Note Proceeds	0	3,801,747	3,801,747	0	1,481,694	1,481,694
Capital Contributions	0	0	0		31,751	31,751
Miscellaneous	804,830	2,336	807,166	1,033,696	206,951	1,240,647
<i>Total General Receipts</i>	<i>9,575,440</i>	<i>3,804,083</i>	<i>13,379,523</i>	<i>8,282,572</i>	<i>1,720,396</i>	<i>10,002,968</i>
<i>Total Receipts</i>	<i>33,096,492</i>	<i>5,283,740</i>	<i>38,380,232</i>	<i>27,551,502</i>	<i>2,680,873</i>	<i>30,232,375</i>
Program Disbursements						
General Government:						
Legislative and Executive	2,665,017	0	2,665,017	2,573,401	0	2,573,401
Judicial	1,070,253	0	1,070,253	1,180,872	0	1,180,872
Public Safety	4,185,616	0	4,185,616	3,713,707	0	3,713,707
Public Works	4,250,350	0	4,250,350	3,574,301	0	3,574,301
Health	3,171,050	0	3,171,050	2,937,452	0	2,937,452
Human Services	10,794,231	0	10,794,231	10,226,790	0	10,226,790
Conservation and Recreation	194,578	0	194,578	260,518	0	260,518
Capital Outlay	3,433,279	0	3,433,279	245,238	0	245,238
Miscellaneous	183,490	0	183,490	758,056	0	758,056
Debt Service						
Principal	193,567	0	193,567	333,166	0	333,166
Interest and Fiscal Charges	167,134	0	167,134	214,201	0	214,201
Water		4,864,603	4,864,603		1,667,647	1,667,647
Sewer		448,479	448,479		612,630	612,630
<i>Total Disbursements</i>	<i>30,308,565</i>	<i>5,313,082</i>	<i>35,621,647</i>	<i>26,017,702</i>	<i>2,280,277</i>	<i>28,297,979</i>
<i>Change in Net Assets</i>	<i>2,787,927</i>	<i>(29,342)</i>	<i>2,758,585</i>	<i>1,533,800</i>	<i>400,596</i>	<i>1,934,396</i>
Net Assets Beginning of Year	7,750,629	882,146	8,632,775	6,216,829	481,550	6,698,379
Total Net Assets	\$10,538,556	\$852,804	\$11,391,360	\$7,750,629	\$882,146	\$8,632,775

Operating grants were the largest program receipts, accounting for \$17,514,351 or 53 percent of total governmental activities receipts. The major recipients of intergovernmental program receipts were the Job and Family Services, Auto License and Gasoline Tax, Mental Health, and Mental Retardation and Developmental Disabilities governmental programs.

Property tax receipts account for \$4,838,106 or 15 percent of total governmental activities receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$1,776,149 or 5 percent of total receipts.

Perry County, Ohio
Management's Discussion and Analysis
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Unaudited

The County's direct charges to users of governmental services made up \$3,442,904 or 10 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for \$10,794,231, or 33 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include public safety programs, and public works programs, which accounted for \$4,185,616, and \$4,250,350, or 28 percent of total disbursements.

Business-Type Activities

The net assets for business-type activities decreased by \$29,342 during 2005. Charges for services were the only program revenue, accounting for \$1,453,305 or 28 percent of receipts.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2005 and 2004. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost (Gain) of Services	Total Cost of Services	Net Cost (Gain) of Services
	2005	2005	2004	2004
General Government:				
Legislative and Executive	\$2,665,017	\$1,058,912	\$2,573,401	\$1,320,440
Judicial	1,070,253	438,897	1,180,872	608,522
Public Safety	4,185,616	1,608,356	3,713,707	944,318
Public Works	4,250,350	(250,371)	3,574,301	(472,892)
Health	3,171,050	468,912	2,937,452	1,508,699
Human Services	10,794,231	2,547,399	10,226,790	2,101,004
Conservation and Recreation	194,578	194,578	260,518	260,518
Capital Outlay	3,433,279	189,359	245,238	(600,494)
Miscellaneous	183,490	170,770	758,056	531,290
Principal Retirement	193,567	193,567	333,166	333,166
Interest and Fiscal Charges	167,134	167,134	214,201	214,201
Total Expenses	<u>\$30,308,565</u>	<u>\$6,787,513</u>	<u>\$26,017,702</u>	<u>\$6,748,772</u>

Charges for services, operating grants, and capital grants of \$23,521,052, or 78 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining \$6,787,513 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, and miscellaneous receipts.

The \$2,547,399 and \$468,912 in net cost of services for Human Services and Health demonstrate the costs of services that are not supported from state and federal resources.

Financial Analysis of County Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Perry County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of December 31, 2005, the County's governmental funds reported a combined ending fund balance of \$9,821,575, an increase of \$2,293,627 in comparison with the prior year. Approximately \$8,482,424, or 86 percent of this total, constitutes unreserved undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$1,280,004) or other restricted purposes (\$59,147). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2005, unreserved fund balance was \$1,680,946, while total fund balance was \$1,775,454. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund disbursements. Unreserved fund balance represents 29 percent to total General Fund disbursements, while total fund balance represents 30 percent of that same amount.

The fund balance of the County's General Fund increased by \$541,277 during 2005. The primary cause of this increase was practical budgetary practices put in place by the County Auditor that allowed County Commissioners and the County Auditor to make more informed decisions regarding the budget, that discontinued unnecessary spending practices that allowed the County to make gains regarding the County's reserves.

At the end of 2005 the Job and Family Services Special Revenue Fund had a fund balance of \$37,832, in comparison to a fund balance of \$215,367 at the end of 2004. This change is primarily due to short term grants that were discontinued during 2005.

At the end of 2005 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$1,840,978, in comparison to a fund balance of \$558,001 at the end of 2004. This increase is primarily due to additional tax levy money in 2005.

At the end of 2005 the Auto License and Gasoline Tax Special Revenue Fund had a fund balance of \$1,917,982, in comparison to a fund balance of \$1,709,607 at the end of 2004. This increase is primarily due to increased receipts in 2005 due to an overall employment status gain in the region. There are more people working and having to commute, which results in more gasoline purchases and increased County gasoline tax revenue.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as business-type activities on the government-wide financial statements. The County uses an enterprise fund to account for Sewer and Water Fund operations. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities. The County uses an internal service fund to account for the self-insurance program. The Self-Insurance Fund accounts for the claims and relating to the County's self-insured health program.

As of December 31, 2005, unrestricted net assets for the County's enterprise fund were \$852,804.

Perry County, Ohio
Management's Discussion and Analysis
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As of December 31, 2005, unrestricted net assets in the self-insurance program were \$716,981. After a change in the management of the self-insurance fund the County has been working toward a goal of reaching and maintaining a substantial reserve. Presently, this insurance fund is fiscally strong with liquid reserves representing twenty-nine percent of the total annual claim activity. Combined premiums and reserves exceed annual claims by nearly \$500,000.

Budgetary Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Board of County Commissioners adopts a permanent annual operating budget for the County on or about January 1.

For the General Fund, changes from the original budget to the final budget have been minimal. Fluctuations in growth and diversity have typically not occurred in Perry County, allowing department managers the ability to consistently predict receipts and disbursements.

Capital Assets and Debt Administration

Capital Assets - The County does not track their capital assets and no information relating to capital assets is being presented.

Long-Term Obligations - As of December 31, 2005, the County had total general obligation bonded debt outstanding of \$3,936,342. The majority of this bonded debt is \$3,920,000 in the remodeling of the Jobs and Family Services building. All of the bonded debt is expected to be repaid through governmental activities.

In addition to the bonded indebtedness, the County has a number of outstanding loans with government agencies in regards to water and sewer activities. The total principal outstanding as of December 31, 2005 is \$9,655,530. The repayment of these loans will be made through user fees and charges.

Economic Factors

The unemployment rate for the County is currently 8.0 percent, which is a decrease from 9.0 percent in 2004 and the same as 8.0 percent in 2003. Perry County has long been considered a manufacturing and agricultural County. Nearly 14 percent of all employment in the County is considered manufacturing. The decrease in unemployment demonstrates the economic growth in the region.

Real property values within the County have risen over the past several years, and are now at an all time high. While overall employment in the County has been steady, our industrial base within the County has been shrinking. Perry County's decade long investment in residential infrastructure is establishing it as a residential bedroom community of surrounding metropolitan counties. This has improved the tax base for schools, libraries and local governments.

The County's permissive sales tax receipts in governmental funds increased 6.5% from 2004 to 2005 following five years of steady growth, despite uncertain economic conditions.

The various economic factors were considered in the preparation of the County's 2005 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

Perry County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Larry Householder, Perry County Auditor, 105 North Main Street, New Lexington, Ohio 43764.

Perry County, Ohio
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	PERCO, Inc.
Assets				
Equity in Pooled Cash and Cash Equivalents	\$9,508,639	\$852,804	\$10,361,443	\$0
Cash in Segregated Accounts	61,675	0	61,675	439,590
Investments	968,242	0	968,242	0
<i>Total Assets</i>	<u>10,538,556</u>	<u>852,804</u>	<u>11,391,360</u>	<u>439,590</u>
Net Assets				
Restricted for:				
Capital Projects	303,623	0	303,623	0
Other Purposes	7,742,498	0	7,742,498	0
Unclaimed Monies	59,147	0	59,147	0
Unrestricted	<u>2,433,288</u>	<u>852,804</u>	<u>3,286,092</u>	<u>439,590</u>
<i>Total Net Assets</i>	<u><u>\$10,538,556</u></u>	<u><u>\$852,804</u></u>	<u><u>\$11,391,360</u></u>	<u><u>\$439,590</u></u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Receipts			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government:				
Legislative and Executive	\$2,665,017	\$1,336,199	\$269,906	\$0
Judicial	1,070,253	433,577	197,779	0
Public Safety	4,185,616	349,207	2,228,053	0
Public Works	4,250,350	551,171	3,949,550	0
Health	3,171,050	564,337	2,137,801	0
Human Services	10,794,231	182,101	8,064,731	0
Conservation and Recreation	194,578	0	0	0
Capital Outlay	3,433,279	25,105	655,018	2,563,797
Miscellaneous	183,490	1,207	11,513	0
Debt Service				
Principal Retirement	193,567	0	0	0
Interest and Fiscal Charges	167,134	0	0	0
<i>Total Governmental Activities</i>	30,308,565	3,442,904	17,514,351	2,563,797
Business Type Activities				
Water Fund	4,864,603	1,129,308	0	21,324
Sewer Fund	448,479	323,997	0	5,028
<i>Total Business-Type Activities</i>	5,313,082	1,453,305	0	26,352
<i>Total Primary Government</i>	\$35,621,647	\$4,896,209	\$17,514,351	\$2,590,149
<i>Component Unit:</i>				
PERCO, Inc.	\$339,405	\$368,491	\$6,400	\$0

General Revenues

Property Taxes Levied for:
General Purposes
Mental Retardation and Developmental Disabilities
Community Mental Health
Children Services
County Home
Senior Center
Sales Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Payment in Lieu of Taxes
Note Proceeds
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	PERCO, Inc.
(\$1,058,912)	\$0	(\$1,058,912)	\$0
(438,897)	0	(438,897)	0
(1,608,356)	0	(1,608,356)	0
250,371	0	250,371	0
(468,912)	0	(468,912)	0
(2,547,399)	0	(2,547,399)	0
(194,578)	0	(194,578)	0
(189,359)	0	(189,359)	0
(170,770)	0	(170,770)	0
(193,567)	0	(193,567)	0
(167,134)	0	(167,134)	0
(6,787,513)	0	(6,787,513)	0
0	(3,713,971)	(3,713,971)	0
0	(119,454)	(119,454)	0
0	(3,833,425)	(3,833,425)	0
(6,787,513)	(3,833,425)	(10,620,938)	0
0	0	0	35,486
1,456,333	0	1,456,333	0
1,511,290	0	1,511,290	0
266,304	0	266,304	0
461,936	0	461,936	0
1,007,329	0	1,007,329	0
134,914	0	134,914	0
1,776,149	0	1,776,149	0
1,592,666	0	1,592,666	0
287,485	0	287,485	10,614
276,204	0	276,204	0
0	3,801,747	3,801,747	0
804,830	2,336	807,166	863
9,575,440	3,804,083	13,379,523	11,477
2,787,927	(29,342)	2,758,585	46,963
7,750,629	882,146	8,632,775	392,627
\$10,538,556	\$852,804	\$11,391,360	\$439,590

Perry County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Job and Family Services	MRDD	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$748,065	\$37,832	\$1,840,978	\$1,917,982	\$4,187,654	\$8,732,511
Restricted Cash and Cash Equivalents	59,147	0	0	0	0	59,147
Cash in Segregated Accounts	0	0	0	0	61,675	61,675
Investments in Segregated Accounts	968,242	0	0	0	0	968,242
<i>Total Assets</i>	<u>\$1,775,454</u>	<u>\$37,832</u>	<u>\$1,840,978</u>	<u>\$1,917,982</u>	<u>\$4,249,329</u>	<u>\$9,821,575</u>
Fund Balances						
Reserved for Encumbrances	35,361	0	86,585	737,218	420,840	1,280,004
Reserved for Unclaimed Monies	59,147	0	0	0	0	59,147
Unreserved:						
Undesignated, Reported in:						
General Fund	1,680,946	0	0	0	0	1,680,946
Special Revenue Funds	0	37,832	1,754,393	1,180,764	3,558,862	6,531,851
Capital Projects Funds	0	0	0	0	269,627	269,627
<i>Total Fund Balances</i>	<u>\$1,775,454</u>	<u>\$37,832</u>	<u>\$1,840,978</u>	<u>\$1,917,982</u>	<u>\$4,249,329</u>	<u>\$9,821,575</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets - Modified Cash Assets of Governmental Activities
December 31, 2005

Total Governmental Fund Balances \$9,821,575

*Amounts reported for governmental activities in the
statement of net assets are different because:*

An internal service fund is used by management to charge the costs
of insurance to individual funds. The assets of the internal service fund
are included in governmental activities in the statement of net assets.

716,981

Net Assets of Governmental Activities

\$10,538,556

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Modified Cash Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Job and Family Services	MRDD	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
Receipts						
Local Taxes	\$1,456,333	\$0	\$1,511,290	\$0	\$1,870,483	\$4,838,106
Sales Taxes	1,776,149	0	0	0	0	1,776,149
Payment in Lieu of Taxes	276,204	0	0	0	0	276,204
Charges for Services	1,090,965	0	449,860	20,824	1,193,041	2,754,690
Licenses and Permits	3,042	0	0	0	262,991	266,033
Fines and Forfeitures	227,960	0	0	10,177	10,179	248,316
Intergovernmental	1,106,583	5,932,291	2,009,036	6,294,858	6,101,912	21,444,680
Interest	270,198	0	0	17,287	0	287,485
Miscellaneous	242,561	243,671	179,951	0	138,647	804,830
<i>Total Receipts</i>	<u>6,449,995</u>	<u>6,175,962</u>	<u>4,150,137</u>	<u>6,343,146</u>	<u>9,577,253</u>	<u>32,696,493</u>
Disbursements						
Current:						
General Government:						
Legislative and Executive	2,079,306	0	0	0	838,867	2,918,173
Judicial	957,998	0	0	0	205,515	1,163,513
Public Safety	1,886,475	0	0	30,025	2,270,646	4,187,146
Public Works	0	0	0	4,066,138	186,354	4,252,492
Health	37,767	0	2,826,359	0	335,843	3,199,969
Human Services	455,310	6,353,497	0	0	4,047,470	10,856,277
Conservation and Recreation	247,825	0	0	0	0	247,825
Capital Outlay	0	0	1,414	2,038,608	993,258	3,033,280
Other	173,766	0	0	0	9,724	183,490
Debt Service:						
Principal Retirement	13,200	0	15,874	0	164,493	193,567
Interest and Fiscal Charges	7,813	0	513	0	158,808	167,134
<i>Total Disbursements</i>	<u>5,859,460</u>	<u>6,353,497</u>	<u>2,844,160</u>	<u>6,134,771</u>	<u>9,210,978</u>	<u>30,402,866</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>590,535</u>	<u>(177,535)</u>	<u>1,305,977</u>	<u>208,375</u>	<u>366,275</u>	<u>2,293,627</u>
Other Financing Sources (Uses)						
Advances In	10,197	0	0	0	24,455	34,652
Advances Out	(24,455)	0	0	0	(9,384)	(33,839)
Transfers In	0	0	0	0	90,403	90,403
Transfers Out	(35,000)	0	(50,000)	0	(6,216)	(91,216)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,258)</u>	<u>0</u>	<u>(50,000)</u>	<u>0</u>	<u>99,258</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	541,277	(177,535)	1,255,977	208,375	465,533	2,293,627
<i>Fund Balances Beginning of Year</i>	1,234,177	215,367	585,001	1,709,607	3,783,796	7,527,948
<i>Fund Balances End of Year</i>	<u>\$1,775,454</u>	<u>\$37,832</u>	<u>\$1,840,978</u>	<u>\$1,917,982</u>	<u>\$4,249,329</u>	<u>\$9,821,575</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances
of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

Net Change in Fund Balances - Governmental Funds \$2,293,627

*Amounts reported for governmental activities
in the statement of activities are different because:*

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among the governmental activities.

494,300

Change in Net Assets of Governmental Activities

\$2,787,927

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Receipts, Disbursements and Changes in
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Positive
				(Negative)
Receipts				
Local Taxes	\$1,195,000	\$1,448,400	\$1,456,333	\$7,933
Sales Taxes	1,289,016	1,650,000	1,776,149	126,149
Payment in Lieu of Taxes	214,836	275,000	276,204	1,204
Charges for Services	853,406	1,092,400	1,090,965	(1,435)
Licenses and Permits	2,305	2,950	3,042	92
Fines and Forfeitures	100,543	128,700	227,960	99,260
Intergovernmental	711,884	911,245	1,106,583	195,338
Investment Income	195,305	250,000	270,198	20,198
Other Receipts	198,368	253,920	242,561	(11,359)
<i>Total Receipts</i>	<u>4,760,663</u>	<u>6,012,615</u>	<u>6,449,995</u>	<u>437,380</u>
Disbursements				
Current:				
General Government:				
Legislative and Executive	1,784,478	1,829,316	2,091,059	(261,743)
Judicial	981,409	992,679	963,162	29,517
Public Safety	1,057,450	1,108,194	1,898,982	(790,788)
Health	35,000	43,407	37,767	5,640
Human Services	504,018	504,018	461,247	42,771
Conservation and Recreation	175,329	175,329	247,825	(72,496)
Other	225,000	313,341	173,766	139,575
Debt Service:				
Principal	0	0	13,200	(13,200)
Interest and Fiscal Charges	0	0	7,813	(7,813)
<i>Total Disbursements</i>	<u>4,762,684</u>	<u>4,966,284</u>	<u>5,894,821</u>	<u>(928,537)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,021)</u>	<u>1,046,331</u>	<u>555,174</u>	<u>(491,157)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	10,197	10,197
Advances In	0	0	0	0
Advance Out	0	0	(24,455)	(24,455)
Transfers Out	(909,963)	(922,346)	(35,000)	887,346
<i>Total Other Financing Sources (Uses)</i>	<u>(909,963)</u>	<u>(922,346)</u>	<u>(49,258)</u>	<u>873,088</u>
<i>Net Change in Fund Balance</i>	(911,984)	123,985	505,916	381,931
<i>Fund Balance Beginning of Year</i>	1,112,968	1,112,968	1,112,968	0
Prior Year Encumbrances Appropriated	121,209	121,209	121,209	0
<i>Fund Balance End of Year</i>	<u>\$322,193</u>	<u>\$1,358,162</u>	<u>\$1,740,093</u>	<u>\$381,931</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Job and Family Services Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Receipts				
Intergovernmental	\$7,533,246	\$5,871,467	\$5,932,291	\$60,824
Miscellaneous	322,185	240,849	243,671	2,822
<i>Total Receipts</i>	<u>7,855,431</u>	<u>6,112,316</u>	<u>6,175,962</u>	<u>63,646</u>
Disbursements				
Current:				
Human Services	7,615,252	7,615,252	6,353,497	1,261,755
<i>Excess of Receipts Under Disbursements</i>	240,179	(1,502,936)	(177,535)	1,325,401
<i>Net Change in Fund Balance</i>	240,179	(1,502,936)	(177,535)	1,325,401
<i>Fund Balance Beginning of Year</i>	(38,885)	(38,885)	(38,885)	0
Prior Year Encumbrances Appropriated	<u>254,252</u>	<u>254,252</u>	<u>254,252</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$455,546</u>	<u>(\$1,287,569)</u>	<u>\$37,832</u>	<u>\$1,325,401</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Mental Retardation and Developmental Disabilities
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Local Taxes	\$1,432,894	\$1,432,894	\$1,511,290	\$78,396
Charges for Services	212,599	233,856	449,860	216,004
Fines and Forfeitures	0	0	0	0
Intergovernmental	1,135,902	1,249,477	2,009,036	759,559
Interest	0	0	0	0
Miscellaneous	151,698	166,866	179,951	13,085
<i>Total Receipts</i>	<u>2,933,093</u>	<u>3,083,093</u>	<u>4,150,137</u>	<u>1,067,044</u>
Disbursements				
Current:				
Public Works	3,138,127	3,238,127	2,912,946	325,181
Capital Outlay	17,801	17,801	17,801	0
<i>Total Disbursements</i>	<u>3,155,928</u>	<u>3,255,928</u>	<u>2,930,747</u>	<u>325,181</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(222,835)	(172,835)	1,219,390	1,392,225
Other Financing Uses				
Transfers Out	0	(50,000)	(50,000)	0
<i>Net Change in Fund Balance</i>	(222,835)	(222,835)	1,169,390	1,392,225
<i>Fund Balance Beginning of Year</i>	419,024	419,024	419,024	0
Prior Year Encumbrances Appropriated	506,295	165,977	165,977	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$702,484</u>	<u>\$362,166</u>	<u>\$1,754,391</u>	<u>\$1,392,225</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Auto License and Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$0	\$0	\$20,824	\$20,824
Fines and Forfeitures	17,482	17,450	10,177	(7,273)
Intergovernmental	4,044,503	4,037,050	6,294,858	2,257,808
Interest	8,015	8,000	17,287	9,287
Miscellaneous	0	0	0	0
<i>Total Receipts</i>	<u>4,070,000</u>	<u>4,062,500</u>	<u>6,343,146</u>	<u>2,280,646</u>
Disbursements				
Current:				
Public Works	4,370,950	5,309,550	4,833,381	476,169
Capital Outlay	90,500	100,500	2,038,608	(1,938,108)
<i>Total Disbursements</i>	<u>4,461,450</u>	<u>5,410,050</u>	<u>6,871,989</u>	<u>(1,461,939)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(391,450)	(1,347,550)	(528,843)	818,707
Other Financing Sources				
Transfers In	0	0	0	0
<i>Net Change in Fund Balance</i>	(391,450)	(1,347,550)	(528,843)	818,707
<i>Fund Balance Beginning of Year</i>	1,318,157	1,318,157	1,318,157	0
Prior Year Encumbrances Appropriated	506,295	391,450	391,450	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,433,002</u>	<u>\$362,057</u>	<u>\$1,180,764</u>	<u>\$818,707</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Business-Type Activities		Total	Governmental Activity-
	Sewer Enterprise Fund	Water Enterprise Fund		Internal Service Fund
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$412,640	\$440,164	\$852,804	\$716,981
<i>Total Assets</i>	412,640	440,164	852,804	716,981
Net Assets				
Unrestricted	412,640	440,164	852,804	716,981
<i>Total Net Assets</i>	\$412,640	\$440,164	\$852,804	\$716,981

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Business-Type Activities		Total	Governmental Activities-
	Sewer Enterprise Fund	Water Enterprise Fund		Internal Service Fund
Operating Receipts				
Charges for Services	\$323,997	\$1,129,308	\$1,453,305	\$0
Charges for Services - Health Benefits	0	0	0	2,962,382
Miscellaneous	0	2,336	2,336	0
<i>Total Operating Receipts</i>	<u>323,997</u>	<u>1,131,644</u>	<u>1,455,641</u>	<u>2,962,382</u>
Operating Disbursements				
Personal Services	79,472	125,231	204,703	0
Contractual Services	33,421	357,209	390,630	0
Contractual Services - Health Benefits	0	0	0	326,341
Materials and Supplies	13,923	72,548	86,471	0
Claims - Health Benefits	0	0	0	2,146,235
Capital Outlay	281,950	2,672,496	2,954,446	0
Other		35,148	35,148	0
Debt Service				
Principal	28,950	1,505,266	1,534,216	0
Interest	10,763	96,705	107,468	0
<i>Total Operating Disbursements</i>	<u>448,479</u>	<u>4,864,603</u>	<u>5,313,082</u>	<u>2,472,576</u>
<i>Operating Gain (Loss)</i>	(124,482)	(3,732,959)	(3,857,441)	489,806
Non-Operating Receipts				
Interest	0	0	0	4,494
Capital Grants	5,028	21,324	26,352	0
Proceeds of Notes	280,889	3,520,858	3,801,747	0
<i>Change in Net Assets</i>	161,435	(190,777)	(29,342)	494,300
<i>Net Assets Beginning of Year</i>	<u>251,205</u>	<u>630,941</u>	<u>882,146</u>	<u>222,681</u>
<i>Net Assets End of Year</i>	<u>\$412,640</u>	<u>\$440,164</u>	<u>\$852,804</u>	<u>\$716,981</u>

See accompanying notes to the basic financial statements

Perry County, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Agency Funds
December 31, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,908,690
Cash and Cash Equivalents in Segregated Accounts	<u>54,472</u>
<i>Total Assets</i>	<u><u>\$1,963,162</u></u>
Net Assets:	
Total Net Assets	<u><u>\$1,963,162</u></u>

See accompanying notes to the financial statements

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 1 – Reporting Entity

Perry County, Ohio (The County), 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 County is governed by a board of three County Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize cash disbursements as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public services for the entire County.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Perry County, this includes the Perry County Board of Mental Retardation and Developmental Disabilities (MRDD), Perry County Home, Children Services Board, and departments and activities that are directly operated by the elected County officials.

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organizations governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. The County is also financially accountable for any organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the County, are accessible to the County, and are significant in amount to the County.

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the County's component unit, PERCO Inc. It is reported separately to emphasize that it is legally separate from the County. Information about this component unit is presented in Note 17 to the basic financial statements.

PERCO, Inc. (PERCO), is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. PERCO, under a contractual agreement with the Perry County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Perry County. The Perry County Board of MRDD provides PERCO with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of PERCO. Based on the significant services and resources provided by the County to PERCO and PERCO's sole purpose of providing assistance to the mentally retarded and handicapped adults of Perry County, PERCO is considered to be a component unit of Perry County. The nature and significance of the relationship between

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 1 – Reporting Entity (continued)

the County and the workshop is such that exclusion would cause the County's financial statements to be misleading or incomplete. PERCO operates on a fiscal year ending December 31. Separately-audited statements for PERCO are available from Beth Pompey, Fiscal Officer, 499 N. State Street, New Lexington, Ohio 43701.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Perry County. Accordingly, the activity of the following organizations is reported as agency funds within the financial statements:

Perry County Soil and Water Conservation District The Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision of the State. The five supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

Perry County Health District The District is governed by the Board of Health which oversees the operation of the District and is elected by a regional advisory council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The council adopts its own budget and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with State and federal grants applied for by the District.

Perry County Family & Children First Council The Perry County Family and Children First Council is created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Perry County Alcohol, Drug Addiction, and Mental Health Board; Health Commissioner of the Perry Department of Health; Director of the Perry County Human Services; Director of the Children Services Department; Superintendent of the Perry County Mental Retardation and Development Disabilities; the Perry County Juvenile Court Judge; Superintendent of New Lexington City Schools; Superintendent of Perry County Board of Education; a representative of the City of New Lexington; Chair of the Perry County Commissioners; State Department of Youth Services regional representative; representative from the County Head Start Agencies; a representative of the County's early intervention collaboration established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986;" and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. The Council's revenues will consist of operating grants along with pooled funding from other government sources. In 2005, the County made no contributions to the Council. Continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the County does not report assets for equity interests in joint ventures.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 1 – Reporting Entity (continued)

The County participates in several jointly governed organizations and a public entity risk pool. These organizations are presented in Notes 14 and 15 to the basic financial statements. These organizations are:

Fairfield, Hocking, Licking and Perry Multi-County Juvenile Detention System
Buckeye Hills-Hocking Valley Regional Development District
Coshocton-Fairfield-Licking-Perry Solid Waste District
Mental Health and Recovery Services Board of Muskingum County
Mid Eastern Ohio Regional Council of Governments (MEORC)
Perry County Family and Children First Council
Local Workforce Investment Board
County Risk Sharing Authority, Inc. (CORSA)

The financial statements exclude the following entities which perform activities within the County's boundaries for the benefit of its residents because the County is not financially accountable for these entities nor are they fiscally dependent on the County:

Perry County Educational Service Center
Perry County Law Library
Hocking College (Perry County Branch)

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and 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 County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

The County's basic financial statements consist of government-wide 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.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

The Statement of Net Assets-modified cash basis and the Statement of Activities-modified cash basis display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and cash disbursements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets-modified cash basis presents the cash balance of the governmental and business-type activities of the County at year end. The Statement of Activities-modified cash basis compares disbursements and program receipts for each program or function of the County’s governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the County is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a modified cash basis or draws from the general receipts of the County.

Fund Financial Statements

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

Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds’ principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary and fiduciary.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The following are the County's major governmental funds:

General - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Job and Family Services – This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Mental Retardation and Developmental Disabilities – This fund accounts for assistance for the mentally retarded and developmentally disabled. A county-wide property tax levy, along with federal and state grants, provides the revenues for this fund.

Auto License and Gasoline Tax - This fund accounts for State levied, shared monies derived from gasoline taxes and the sale of motor vehicle licenses. Disbursements are restricted by State law to County road and bridge repair/improvements programs.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

The County classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is a description of the County's major enterprise funds:

Sewer Fund – This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.

Water Fund - The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users of the County. The costs of providing these services are financed primarily through user charges.

Internal Service Fund – The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. The County's Internal Service Fund accounts for monies received for the activities of the self insurance program for employee health benefits.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County did not have any trust funds in 2005. Agency funds are purely custodial and are used to account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The County's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the County'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 County are described in the appropriate section in this note.

As a result of the use of this modified 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.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by County Commissioners at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. 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 final amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is 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 resolution 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 County Commissioners during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through the County's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Cash and cash equivalents that are held separately within departments of the County are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash and cash equivalents of PERCO Inc. are held by the component unit and are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2005, the County invested in nonnegotiable certificates of deposit, federal agency securities, money market mutual funds, and STAROhio. Investments are reported at cost, except for STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 amounted to \$270,198, which includes \$234,343 assigned from other County funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the County are reported as restricted.

G. Inventory and Prepaid Items

The County reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

I. Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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 County's modified cash-basis of accounting.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

The County's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

M. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available, expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

N. 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 primarily include activities involving the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government-wide Statement of Net Assets reports \$8,105,268 of restricted net assets, of which \$1,490,327 is restricted by enabling legislation.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds initially paid for them are not presented in the financial statements.

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 3 – Change in Accounting Policies

For 2005, the County has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures. GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

Note 4 – Accountability and Compliance

1. Budgetary Compliance

- A. The Board of County Commissioners did not adopt a tax budget for 2005.
- B. The County Auditor did not properly certify unencumbered beginning fund balances.
- C. The County personnel failed to obtain the County Auditor’s certification of the availability of funds prior to purchase commitments.
- D. Total expenditures exceeded total appropriations for various accounts within individual funds as well as in the following funds in total, by the following amounts:

<u>Fund</u>	<u>Variance</u>
Unclaimed Monies Fund	(\$3,296)
Victim Witness Coordinator Fund	(\$11,640)
Deputy for County & Twp Roads Fund	(\$30,025)
Northern Perry County Water Fund	(\$176,414)
Burr Oak & Perry County Water Fund	(\$20,080)
Comprehensive Mental Health Fund	(\$11,880)
CDBG 04 Formula Fund	(\$150,939)
911 Fund	(\$19,188)
Law Enforcement Overtime Fund	(\$17,508)
Bank Building Fund	(\$57,752)
Northern Perry County Sewer Fund	(\$74,882)

- E. Appropriations exceeded estimated resources in the following funds during 2005:

<u>Fund</u>	<u>Amount</u>
Public Assistance Fund	\$1,042,661
Workforce Investment Act Fund	\$244,908
OWDA Buckeye Lake Fund	\$173,526
Northern Perry County Water Extension Phase I Fund	\$1,701
Litter Control Fund	\$1,728
Clerk of Courts Computerization Fund	\$8,236
Clerk of Courts Computerization Fund	\$10,315
Title IV-D Child Support Fund	\$297,625
CDBG Fund	\$68,411
EMA/Office of Homeland Security Fund	\$445,286
Juvenile Court Legal Computerization Fund	\$1,520

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Probate Court Computerization Fund	\$825
Juvenile Court Computerization Fund	\$1,309
Recorders Equipment Fund	\$5,000
Sheriff CCW Fund	\$4,459
Perry County Transit System Fund	\$3,159
Perry County Archives Fund	\$2,681
Sheriff's Litter Grant Fund	\$7,893
Airport Fund	\$69,368
EMA Small Projects Fund	\$1,344
Building Water and Airport Bond Retirement Fund	\$147,736
Multi-County Juvenile Facility Fund	\$1,161
Thornport Sewer Fund	\$44,444
Ceramic Sewer Fund	\$8,319

2. Reporting Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Note 5 – 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 – Budgetary Basis presented for the General and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to:

General Fund	\$ 35,361
Major Special Revenue Funds:	
MRDD Fund	\$ 86,585
Auto License and Gasoline Tax Fund	\$ 737,218

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 6 – Deposits and Investments

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 6 – Deposits and Investments (continued)

The County may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the County.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the County has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the County's deposits was \$6,696,922 and the bank balance was \$7,400,122. Of the bank balance \$200,000 was covered by Federal depository insurance and \$7,200,122 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The County's deposits were protected by a collateral pool of eligible securities.

Investments

Investments are reported at fair value. As of December 31, 2005, the County had the following investments:

	Fair Value	Maturity
Money Market Mutual Funds	\$34,893	7 Days
U.S. Treasury/Agency Securities	248,595	March 23, 2006
Federal Home Loan Mortgage Securities	297,951	May 17, 2006
Federal Home Loan Mortgage Securities	197,342	November 22, 2006
Federal National Mortgage Association Note	198,062	June 14, 2006
STAROhio	4,721,374	Average 39 Days
Total Portfolio	\$5,698,217	

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 6 – Deposits and Investments (continued)

Interest Rate Risk The County does not have an investment policy that addresses interest risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The County has no investment policy that would further limit its investment choices. The Federal Home Loan Mortgage Corporation Securities carries a rating of AAA by Standard and Poor's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County's investment policy places no limit on the amount it may invest in any one issuer. The following is the County's allocation as of December 31, 2005:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Money Markets	0.61
U.S. Treasury/Agency Securities	4.35
Federal Home Loan Mortgage Securities	8.88
Federal National Mortgage Association Note	3.47
STAROhio	82.69

Note 7 – Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Proceeds of the tax are credited to the General Fund. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies the amount of the tax to be returned to the County to the State Auditor. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Property tax revenue receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 8 – Property Taxes (continued)

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers must pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collections and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County’s tax collections is accounted for within the applicable funds.

The full tax rate for all County operations for the year ended December 31, 2005, was \$16.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$338,205,880
Public Utility Tangible Personal Property	40,129,070
Tangible Personal Property	<u>25,797,770</u>
Total Assessed Value	<u><u>\$404,132,720</u></u>

Note 9 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

General Liability	\$ 1,000,000
Law Enforcement Liability	\$ 1,000,000
Automobile Liability	\$ 1,000,000
Errors and Omissions Liability	\$ 1,000,000
Excess Liability	\$ 5,000,000
Property	\$ 36,385,062
Equipment Breakdown	\$100,000,000
Crime	\$1,000,000
Uninsured Motorists Liability	\$250,000
Stop Gap Liabili	\$1,000,000
Medical Professional Liabilit	\$6,000,000
Foster Parents	\$6,000,000
Bridges	\$34,775
Sewer Line Coverage	\$4,200,000

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 9 – Risk Management (continued)

With the exception of medical coverage and worker's compensation, all insurance is held with CORSA. There has been no significant reduction in insurance coverage from 2003, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2005, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the County is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any county leaving the Plan allows the representative of the Plan to access loss experience for three years following the last year of participation.

The County provides employee medical coverage through a self insured program. The County established a Medical Insurance fund (an internal service fund) to account for and finance employee health benefits. Under this program, the Medical Insurance fund provides coverage up to a maximum of \$75,000 per year for each individual. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

All funds of the County participate in the program and make payments to the Medical Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

Note 10 – Defined Benefit Pension Plans

The County 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.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 10 – Defined Benefit Pension Plans (continued)

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) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$933,782, \$914,263, and \$1,279,517 respectively; 100 percent has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$700 made by the County and \$439 made by the plan members.

Note 11 – Postemployment Benefits

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 benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual County contributions for 2005 which were used to fund postemployment benefits were \$391,113. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 11 – Postemployment Benefits (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 12 – Long Term Obligations

Changes in the County's long-term obligations during the year consisted of the following:

	Interest Rate	Principal Outstanding 12/31/2004	Additions	Deductions	Principal Outstanding 12/31/2005	Amount Due Within One Year
Governmental Activities						
<u>General Obligation Bonds:</u>						
1998 - 911 System Acquisition Bonds	5.50%	\$57,142	\$0	\$57,142	\$0	\$0
2001 - Building Improvement Bonds	4.97%	17,216	0	15,874	1,342	1,342
2001 - Various Purpose Improvement Bonds	3.6%-5.1%	4,085,000	0	165,000	3,920,000	170,000
2001 - Dog Pound Bonds	5.10%	25,000	0	10,000	15,000	15,000
Total Governmental Activities		<u>\$4,184,358</u>	<u>\$0</u>	<u>\$248,016</u>	<u>\$3,936,342</u>	<u>\$186,342</u>
Business Type Activities						
<u>Special Assessment Bonds:</u>						
1986 Buckeye Lake Special Assessment Bonds	6.00%	\$800	\$0	\$800	\$0	\$0
Total Special Assessment Bonds		<u>\$800</u>	<u>\$0</u>	<u>\$800</u>	<u>\$0</u>	<u>\$0</u>
<u>Ohio Public Works Commission Notes:</u>						
1994 Thornport Water Project	2.00%	\$421,537	\$0	\$36,459	\$385,078	\$37,192
2002 Water Systems Improvement Project	2.00%	65,903	0	0	65,903	0
2002 Sanitary Sewer Improvements II Project	2.00%	236,555	0	0	236,555	0
Total Ohio Public Works Commission Notes		<u>\$723,995</u>	<u>\$0</u>	<u>\$36,459</u>	<u>\$687,536</u>	<u>\$37,192</u>
<u>Ohio Water Development Authority Notes:</u>						
1998 Buckeye Lake Water Lines	5.76%	\$556,493	\$0	\$52,631	\$503,862	\$55,663
2000 Water Line Construction	6.41%	104,823	0	2,696	102,127	2,872
2000 Robinwood Estates Sewer Improvements	6.03%	56,499	0	1,393	55,106	1,479
2000 Crown Wehrle WWTP Improvements	6.03%	23,221	0	(918)	24,139	0
2001 Water Meter Installation	1.50%	271,703	0	8,230	263,473	8,354
2001 Water Design	5.55%	1,218,190	25,211	1,222,445	20,956	0
2001 Wastewater Design	5.55%	1,600,281	74,783	39,798	1,635,266	0
2002 Ceramic Road Area Sewers	1.00%	713,796	0	21,762	692,034	21,871
2003 Northern Perry Sewers Phase I	1.00%	1,049,401	54,434	32,987	1,070,848	33,152
2003 Wastewater Planning	5.51%	158,506	151,672	0	310,178	0
2004 Waterline Extension	1.00%	475,236	15,300	7,031	483,505	14,097
2004 Waterline Extension Phase 1B	1.00%	326,154	161,378	0	487,532	0
2005 Waterline Extension Phase 1 C	1.00%	0	3,318,968	0	3,318,968	0
Total Ohio Water Development Authority Notes		<u>\$6,554,303</u>	<u>\$3,801,746</u>	<u>\$1,388,055</u>	<u>\$8,967,994</u>	<u>\$137,488</u>
Total Business-Type Activities		<u>\$7,279,098</u>	<u>\$3,801,746</u>	<u>\$1,425,314</u>	<u>\$9,655,530</u>	<u>\$174,680</u>

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 12 – Long Term Obligations (continued)

The 911 System acquisition bond relates to the equipping and installing of a 911 emergency system. These general obligation bonds were originally issued in the amount of \$400,000 and are to be repaid in annual installments of \$57,143, including interest, over seven years. The bond is collateralized by the taxing authority of the County. The 911 System acquisition bonds were paid off in 2005.

The Building Improvements Bonds were issued in 2001 in the amount of \$72,116 for the purpose of financing energy conservation improvements to the building utilized by the County Department of Mental Retardation and Developmental Disabilities. These general obligation bonds are to be repaid in 60 monthly installments. The bonds are collateralized by the taxing authority of the County.

The Various Purpose Improvement Bonds were originally issued in 2001 in the amount of \$4,550,000, which consist of \$2,995,000 in Serial Bonds and \$1,555,000 in Term Bonds. These bonds were issued for the purpose of paying the costs of acquiring and improving a building to house personnel and functions of the Human Services Department; to renovate the building to house personnel and functions of the Job and Family Services Department; to acquire the Perry County Airport and improve the water supply and water works of the Northern Perry County Sewer District. These bonds were issued for a twenty year period with a final maturity date of December 1, 2021. The bonds are collateralized by the taxing authority of the County.

The Various Purpose Improvement Bonds maturing on or after December 1, 2011 are subject to prior redemption on or after December 1, 2010 by and at the sale option of the County, in whole or in part, on any date, and in integral multiples of \$5,000, at the following redemption prices, plus accrued interest to the redemption date:

Redemption Dates	Redemption Prices
December 1, 2010 through November 30, 2011	101%
December 1, 2011 and thereafter	100%

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2017	\$280,000
2018	\$295,000
2019	\$310,000
2020	\$325,000
2021	\$345,000

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 12 – Long Term Obligations (continued)

The Dog Pound Bonds were originally issued in 2001 in the amount of \$55,000 for the purpose of financing the cost of constructing a dog pound. These general obligation bonds are to be repaid in annual installments of \$15,000 over three years and a final payment in the fourth year of \$10,000, no including interest. These bonds are due to be paid off in 2006.

The Buckeye Lake Special Assessment Bonds were originally issued in 1986 in the amount of \$44,000 for the purpose of financing the cost of acquiring and constructing sewerage and sewage disposal improvements in the Buckeye Lake area. These bonds are to be retired through a tax levy with annual payments of either \$300 or \$400, not including interest, over twenty years. The Buckeye Lake Special Assessment Bonds were paid off in 2005.

The Ohio Public Works Commission (OPWC) Thornport Water Project Note was issued in 1995 in the amount of \$734,000 for the purpose of financing a water improvement project in the Thornport area. The loan will be repaid in semiannual installments of \$22,354, including interest, over 20 years. This loan is collateralized by utility receipts. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Water System Improvement Project Note was issued in 2002 for the purpose of financing improvements to the water system. OPWC has authorized up to \$300,000 for the project; however, only \$65,903 had been drawn down as of December 31, 2005. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Sanitary Sewer Improvements II Project Note was issued in 2002 for the purpose of financing improvements to the sewer system. OPWC has authorized up to \$300,000 in loans to the County for this project. As of December 31, 2005, \$236,555 had been drawn down. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) Buckeye Lake Water Lines Note relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$42,343, including interest, over twenty years. In 2005, late fees of \$173 were added to the total principal amount of this loan and subsequently paid within the year. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Water Line Construction Note relates to the extension of water lines of the water system. This loan will be repaid in semiannual installments of \$4,686, including interest, over twenty five years. In 2004, OWDA lowered the principal amount of this loan by \$6,493. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. In 2005, late fees of \$21 were added to the total principal amount of this loan and subsequently paid within in the year.

The Ohio Water Development Authority (OWDA) Robinwood Estates Sewer Improvement Loan relates to a project to reline the sanitary sewers serving the Robinwood Estates Subdivision. This loan will be repaid in semiannual installments of \$2,390, including interest, over twenty five years. In 2004, late fees of \$10 were added to the total principal amount of this loan and subsequently paid within in the year. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 12 – Long Term Obligations (continued)

The Ohio Water Development Authority (OWDA) Crown Wehrle WWTP Improvements Loan is for improvements at the wastewater treatment plant mandated by the Ohio Environmental Protection Agency. This loan will be repaid in annual installments over twenty five years. In 2004, OWDA lowered the principal amount of this loan by \$7,335. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Water Meter Installation Note relates to a loan to install water meters in the Northern Perry County Water District. This loan will be paid in semiannual installments of \$6,138, including interest, over thirty years. In 2004, late fees of \$13 were added to the total principal amount of this loan and subsequently paid within the year. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Water Design Note relates to an engineering design loan for the Northern Perry County Wastewater System. As of December 31, 2005, the County had drawn down \$1,553,401 and transferred \$310,000 of the loan to the Waterline Extension and Waterline Extension Phase IB notes described below. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. In 2005, \$1,222,445 of principal was retired with proceeds from the Waterline Extension Phase 1C Note.

The Ohio Water Development Authority (OWDA) Wastewater Design Loan relates to a project for the completion of the engineering design for the Northern Perry County Water System and consolidation of all outstanding planning loans with the Northern Perry County Water System. As of December 31, 2005, the County had drawn down \$1,635,266. In 2005, \$39,798 of principal was retired with proceeds from the Northern Perry County Sewers Phase I Note. This loan will be repaid over five years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Ceramic Road Area Sewers Note relates to a project to construct a conventional gravity collection system and sewage treatment plant in the Ceramic Road area. This loan will be repaid in semiannual installments of \$14,423, including interest, over thirty years. In 2005, late fees of \$27 were added to the total principal amount of this loan and subsequently paid within in the year. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Northern Perry County Sewers Phase I Note relates to the construction of collection sewers to serve the northern part of the County surrounding Thornport. OWDA has approved up to \$1,136,495 in loans to the County for this project. As of December 31, 2005, the County had drawn down \$1,136,495 and made principal payments in the amount of \$65,647. In 2005, late fees of \$41 were added to the total principal amount of this loan and subsequently paid within in the year. This loan will be repaid over 30 years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Planning Note relates to a planning loan for the Northern Perry County Sewer District. As of December 31, 2005, the County had drawn down \$310,178 and no principal or interest payments were made during 2005. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Waterline Extension, Waterline Extension Phase 1B, and Waterline Extension Phase 1C Notes relates to a planning loan for extending water lines. As of December 31, 2005, the County has drawn down \$490,536, \$487,532, and \$3,290,622, respectively and principal payments of \$7,031 on the Waterline Extension Notes were made during 2005. The County has agreed to set utility rates sufficient to cover the debt service requirements of these notes.

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 12 – Long Term Obligations (continued)

During 2005, interest in the amount of \$117,789 was capitalized on the principal balances of the County's OWDA notes.

The OWDA notes listed above, except for the Buckeye Lake Water Lines, Robinwood Estates Sewer Improvements, Water Meter Installation notes, Water Line Construction Note, Ceramic Road Area Sewers Note, Northern Perry County Sewers Phase I Note, and Water Line Extension Note, are not included in the following amortization schedule since OWDA has not established a payment schedule. The OPWC Water System Improvement Project Note and the OPWC Sanitary Sewer Improvements II Project Note are not included in the following amortization schedule since principal on these notes has not been completely drawn down. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA and OPWC notes without payment schedules:

Year Ended December 31,	General Obligation Bonds	Interest
2006	\$186,342	\$189,666
2007	180,000	182,095
2008	185,000	174,715
2009	195,000	166,945
2010	205,000	158,658
2011-2015	1,160,000	650,738
2016-2020	1,480,000	321,285
2021-2025	345,000	18,595
Total	<u>\$3,936,342</u>	<u>\$1,862,697</u>

Year Ended December 31,	Ohio Water Development Authority Notes	Interest
2006	\$137,487	\$65,382
2007	141,790	61,079
2008	146,304	56,565
2009	151,040	51,829
2010	156,013	46,856
2011-2015	642,269	160,362
2016-2020	482,443	105,475
2021-2025	516,357	65,188
2026-2030	488,494	31,661
2031-2031	340,231	7,218
Total	<u>\$3,202,428</u>	<u>\$651,615</u>

Perry County, Ohio
Notes to the Basic Financial Statements
 December 31, 2005

Note 12 – Long Term Obligations (continued)

<u>Year Ended December 31,</u>	<u>Ohio Public Works Commission</u>	<u>Interest</u>
2006	\$37,192	\$7,517
2007	37,940	6,769
2008	38,702	6,006
2009	39,480	5,228
2010	40,274	4,435
2011-2015	191,488	9,701
Total	<u>\$385,076</u>	<u>\$39,656</u>

Note 13 – Transfers and Advances

Interfund transfers for the year ended December 31, 2005, consisted of the following:

<u>Transfer to</u>	<u>General Fund</u>	<u>MRDD</u>	<u>Other Nonmajor Governmental</u>	<u>Total</u>
General Fund	\$0	\$0	\$0	\$0
Job and Family Services	0	0	0	0
Other Non-Major Governmental Funds	35,000	50,000	6,216	91,216
Total	<u>\$35,000</u>	<u>\$50,000</u>	<u>\$6,216</u>	<u>\$91,216</u>

The above mentioned Transfers From/To were used to prevent deficit cash balances.

Note 14 – Jointly Governed Organizations

A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District (the District) serves as the Area Agency on Aging for Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry and Washington Counties. The District was created to foster a cooperative effort in regional planning, programming and implanting plans and programs. The District is governed by a fifteen member board of directors. The Board is composed of one county commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector. The Board has total control over budgeting, personnel, and all other financial matters. The continued existence of the District is not dependent upon the County's continued participation and no equity interest exists.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 14 – Jointly Governed Organizations (continued)

B. Coshocton-Fairfield-Licking-Perry Solid Waste District

The County is a member of the Coshocton-Fairfield-Licking-Perry Solid Waste District (the District). The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code. The District is governed and operated through three groups. A twelve-member board of directors, composed of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Licking County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no additional contributions from the County are anticipated. A twenty-one member policy committee, composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council, whose members are appointed by the policy committee.

The continued existence of the District is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Mental Health and Recovery Services of Muskingum County

The Mental Health and Recovery Services Board of Muskingum County (the Board) provides alcohol, drug addiction and mental health services and programs, primarily through contracts with private and public agencies. The Board also provides forensic evaluation services to adult felony courts, and residential services to youth experiencing emotional problems which prevent them from living at home. The Board serves Coshocton, Guernsey, Morgan, Muskingum, Noble, and Perry Counties and operates under the direction of an eighteen-member appointed Board. Each participating county has agreed to levy a tax within their county to assist in the operation of the Board. The Board also directly receives state and federal funding for its operations. Although the Muskingum County Auditor and County Treasurer are responsible for fiscal control of the resources of the Board, the Board is responsible for budgeting and accounting for the resources at its disposal. Membership on the Board is based upon Ohio law. The continued existence of the Board is not dependent upon the County's continued participation and no equity interest exists.

D. Mid Eastern Ohio Regional Council of Governments (MEORC)

The Mid Eastern Ohio Regional Council of Governments (MEORC) is a jointly governed organization which serves fourteen counties in Ohio. MEORC provides services to the mentally retarded and developmentally disabled residents in the participating counties. The Council is made up of the superintendents of each county's Board of Mental Retardation and Developmental Disabilities. Revenues are generated by fees and state grants. Continued existence of the Council is not dependent on the County's continued participation, and the County has no equity interest in or financial responsibility for the Council. The Council has no outstanding debt.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 14 – Jointly Governed Organizations (continued)

E. Perry County Family and Children First Council

The Perry County Family and Children First Council (the Council) is a jointly governed organization created under Ohio Rev. Code Section 121.37. The Council is made up of the following members: the Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, the Health Commissioner, or the Commissioner's designee, of the Board of Health of each city and general health district in the County; the Director of the Department of Job and Family Services, the Director of the Perry County Children Services Board, the Superintendent of the Perry County Mental Retardation and Development Disabilities, the Juvenile Court Judge, Superintendent of Northern Local Schools, the New Lexington City Administrator, the President of the Perry County Commissioners, the State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1986", and at least three individuals representing the interests of families in the County. The Perry County Auditor serves as the fiscal agent for the Council. The Perry Mental Retardation and Development Disabilities Board serves as the administrative agent for the Council. The continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

F. Local Workforce Investment Board

The Area #14 Local Workforce Investment Board (LWIB) was established July 1, 2004 to aid in the integration of Ohio's workforce development, pursuant to House Bill 470 and the Federal Workforce Investment Act of 1998.

This is accomplished by bringing together business, education, and labor leaders to access workforce needs of employers and training/education needs of job seekers. The LWIB is also charged with establishing fiscal control and fund account procedures to ensure the proper disbursement of and accounting for all funds received through the Workforce Investment Act. The Board consists of 27 members representing the following counties: Athens, Hocking, Meigs, Perry and Vinton. Each county has a minimum of one Chief Elected Official (CEO) and his/her appointees to the board. Appointees of the CEO are local business leaders, educators, as well as State mandated representatives from the respective county. In 2005, the County made no contributions to the Board. Continued existence of the Board is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

G. Fairfield, Hocking, Licking, and Perry Multi-County Juvenile Detention System

The Fairfield, Hocking, Licking and Perry Multi-County Juvenile Detention System (the System) is a statutorily created political subdivision of the State. The operation of the System is controlled by a joint board of commissioners consisting of three commissioners from each participating County. The joint board of commissioners exercises total control over the System by budgeting, appropriating, contracting and designating management. The joint board of commissioners appoints a board of twelve trustees to operate the System. The System's continued existence is dependent upon the County's participation. The County has an ongoing financial responsibility and an equity interest exists. Should the County withdraw, upon the recommendation of the County Juvenile Court Judge, it may sell or lease its interest in the System to another participating county.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 15 – Insurance Purchasing Pools

The County Risk Sharing Authority, Inc. (CORSA) is a shared risk pool among thirty-nine 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. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

Each member County has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. 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 county'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 member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA.

Note 16 - Contingencies

A. Grants

The County received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2005.

B. Litigation

The County is party to several lawsuits and other litigation. The ultimate outcome of these issues cannot be determined at this time.

Note 17 – PERCO, Inc.

The following are the PERCO, Inc. notes to the financial statements for the year ended December 31, 2005:

A. Nature of Activities

PERCO, Inc. (PERCO) a component unit of Perry County, Ohio, is a nonprofit corporation formed in 1973 under the laws of the State of Ohio. PERCO was formed to rehabilitate and train mentally retarded and developmentally disabled adults in Perry County, Ohio within a sheltered workshop environment, and help clients strive for independence and work towards becoming contributing members of their communities.

An ongoing agreement with Perry County Board of Mental Retardation and Developmental Disabilities (currently renewed through January 13, 2007) provides PERCO Agency with supervision and programming, and in-kind support in the form of personnel salaries and benefits.

Perry County, Ohio
Notes to the Basic Financial Statements
December 31, 2005

Note 17 – PERCO, Inc. (continued)

B. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of PERCO have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized.

Income Taxes: PERCO is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

C. Cash

As of December 31, 2005 and 2004, cash consisted of the following:

	<u>2005</u>	<u>2004</u>
Cash checking account - Peoples National Bank	\$143,926	\$156,619
Certificates of Deposit	<u>295,664</u>	<u>236,008</u>
Total Cash	<u><u>\$439,590</u></u>	<u><u>\$392,627</u></u>

At December 31, 2005 and 2004, \$98,467 and \$144,532, respectively, of cash was not covered by FDIC insurance.

D. Concentrations

Sales are concentrated to the Perry and Hocking County, Ohio area.

In addition, PERCO received 41% and 46% of its cash receipts during 2005 and 2004 respectively from a recycling contract with Perry County.

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Disbursements	Noncash Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education.</i>				
Food Donation Program	N/A	10.550	\$	\$4,835
Nutrition Cluster:				
School Breakfast Program	N/A	10.553	11,009	
National School Lunch Program	N/A	10.555	24,534	
Total Nutrition Cluster			<u>35,543</u>	<u>4,835</u>
<i>Direct Program:</i>				
Forestry Incentives Program	N/A	10.064	<u>2,640</u>	
Total United States Department of Agriculture			<u>38,183</u>	<u>4,835</u>
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development</i>				
Community Development Block Grant/States Program	B-C-03-059-01	14.228	89,408	
	B-F-03-059-01	14.228	61,018	
	B-F-04-059-01	14.228	150,939	
	B-F-05-059-02	14.228	18,000	
	B-X-02-059-01	14.228	201,713	
Total Community Development Block Grants/States Program			<u>521,078</u>	
HOME Investments Partership Program	B-C-03-059-02	14.239	<u>107,911</u>	
Total United States Department of Housing and Urban Development			<u>628,989</u>	
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>				
<i>Direct Program:</i>				
Byrne Formula Grant Program	2004-DG-E01-9227	16.579	<u>17,786</u>	
Total United States Department of Justice			<u>17,786</u>	
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>				
<i>Direct Program:</i>				
Airport Improvement Program	3-39-0059-0105	20.106	13,486	
	3-39-0059-0304	20.106	203,164	
	3-39-0059-0405	20.106	58,500	
Total Airport Improvement Program			<u>275,150</u>	
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	22628	20.205	550,601	
	23142	20.205	685,723	
	23143	20.205	319,214	
Total Highway Planning and Construction			<u>1,555,538</u>	
<i>Passed Through Ohio Department of Public Safety:</i>				
State and Community Highway Safety	N/A	20.600	<u>21,193</u>	
Total United States Department of Transportation			<u>1,851,881</u>	
<u>UNITED STATES FEDERAL TRANSIT ADMINISTRATION</u>				
<i>Passed Through Ohio Department of Transportation</i>				
Formula Grants for Other Than Urbanized Areas	RPT-4064-022-031	20.509	<u>40,204</u>	
Total United States Federal Transit Administration			40,204	

(continued)

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Expenditures	Noncash Expenditures
<u>UNITED STATES ELECTION ASSISTANCE COMMISSION</u>				
<i>Passed through Ohio Secretary of State:</i>				
Voter Education and Poll Worker Program	04-SOS-HAVA-64	39.011	10,833	
Voting Machine Funding	E05-126-64	90.401	323,032	
Total United States Election Assistance Commission			<u>333,865</u>	
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Passed Through Ohio Department of Public Safety:</i>				
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0025	97.004	146,650	
Emergency Management Performance Grants	2005-EM-T5-0001	97.042	21,849	
Pre-Disaster Mitigation Grants	EMC-2003-GR-7043	97.047	18,450	
Citizen Corps Grants	2004-GC-T4-0025	97.053	4,222	
Public Assistance Grants	FEMA-OH-DR-1507	97.036	47,091	
	FEMA-OH-DR-1580	97.036	235,066	
Total Public Assistance Grants			<u>282,157</u>	
Total United States Department of Homeland Security			<u>473,328</u>	
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Social Services Block Grant	N/A	93.667	39,000	
State Children's Health Insurance Program	N/A	93.767	338	
Medical Assistance Program	N/A	93.778	1,160,219	
Total United States Department of Health and Human Services			<u>1,199,557</u>	
<u>UNITED STATES DEPARTMENT OF LABOR</u>				
<i>Passed Through Workforce Investment Act Area 14:</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Youth	N/A	17.259	393,336	
Workforce Investment Act - Youth Administrative	N/A	17.259	9,299	
Workforce Investment Act - Youth Total			<u>402,635</u>	
Workforce Investment Act - Adult	N/A	17.258	214,751	
Workforce Investment Act - Adult	N/A	17.258	5,077	
Workforce Investment Act - Adult Total			<u>219,828</u>	
Workforce Investment Act - Dislocated Worker	N/A	17.260	136,148	
Workforce Investment Act - Dislocated Worker	N/A	17.260	3,218	
Workforce Investment Act - Dislocated Worker Total			<u>139,366</u>	
Total Workforce Investment Act Cluster			<u>761,829</u>	
Total United States Department of Labor			761,829	
Total Federal Awards Expenditures			<u><u>\$5,345,622</u></u>	<u><u>\$4,835</u></u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

PERRY COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SUBRECIPIENTS

The County passes-through certain Federal assistance received from the United States Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C – CHILD NUTRITION CLUSTER

Program regulations do not require the County to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2005, the gross amount of loans outstanding under this program was \$265,123.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE F – HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

Paving projects for the Highway Planning and Construction Program were completed in 2004 and reimbursed by the Ohio Department of Transportation in 2005 for pass through grantor numbers 23142 and 23143.

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Auditor of State Betty Montgomery

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

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County) as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 22, 2006, wherein we noted that the County follows a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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*. Other auditors audited the financial statements of PERCO Inc., the County's only discretely presented component unit, in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2005-002, 2005-003 and 2005-009 through 2005-014.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-002, 2005-003 and 2005-014 listed above to be material weaknesses. In a separate letter to the County's management dated December 22, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the County'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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-008, 2005-010 and 2005-013. In a separate letter to the County's management dated December 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 22, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the Board of County Commissioners:

Compliance

We have audited the compliance of Perry County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2005. The Summary of Auditor's Results Section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Perry County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2005-015.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Perry County
Independent Accountants' Report on Compliance With Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the County's management in a separate letter dated December 22, 2006.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 22, 2006

PERRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA No. 17.258, 17.259, 17.260 Highway Planning and Construction CFDA No. 20.205 Voting Machine Funding CFDA No. 90.401 Medical Assistance Program CFDA No. 93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

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

FINDING NUMBER 2005-001

Finding for Recovery Repaid Under Audit – Compensatory Time and Overtime Pay

The Perry County Engineer's Office Personnel Policy Manual, adopted January, 1982 and revised January, 1996, governs compensatory time and overtime pay for Engineer's Department employees.

Section 5.3 of the Manual includes the following provisions:

- (a) The bi-weekly payroll period is from 12:01 a.m. Sunday through 12:00 midnight the second Saturday following.
- (c) Pay advances of any kind are not permitted.

Section 5.4 of the Manual includes the following provisions:

- (a) An employee shall be entitled to overtime compensation at one and one-half (1 ½) times his/her regular rate of pay for time actually worked in excess of forty (40) hours per week for those employees working the standard workweek. The standard workweek for the purposes of overtime pay is forty (40) hours per week.
- (b) For the purpose of this section, paid sick leave and paid vacation leave shall be considered time worked. Workweek, as used in this section, shall consist of five (5) days of eight (8) hours each day in a calendar week or four (4) days of ten (10) hours each day in a calendar week.
- (d) Comp time (compensatory time) may be taken for overtime hours worked at a rate two (2) times the number of hours worked by the employee. If an employee wants comp time in lieu of overtime, he must write in his/her time sheet the amount of overtime to be substituted for comp time or time taken off.

Section 5.5(a) provides that overtime is generally discouraged and is reserved for emergency situations. Normally, all overtime shall be authorized, in writing, by the employee's supervisor, and in advance of the overtime being worked.

There was no evidence presented to indicate that overtime was authorized, in writing, in advance of the overtime being worked. There is no provision for the accumulation of negative comp time balances (using comp time leave prior to comp time being earned) as practiced by the Engineer's Department. Effective for the pay period ended June 24, 2006, employees with negative compensatory time balances (as reflected in the Engineer's records) agreed to the reduction of vacation and/or sick leave balances equal to the amount of negative compensatory time balances. Once these reductions were made, the Engineer's records no longer reflected any employees with negative compensatory time balances.

However, our review of employee time cards revealed that compensatory time and overtime pay for Engineer's Department employees was awarded at times when the employee had not worked in excess of 40 hours in accordance with policy. Hours worked under the engineer's policy included sick leave and vacation leave used. In those cases where a sufficient compensatory time balance did not exist to take as time off, it was often included as time worked for purposes of awarding additional compensatory time and/or overtime pay. This practice inflated compensatory time and overtime pay awarded to employees.

Our analysis of compensatory time and overtime pay performed for the period from January, 2003 through September 30, 2006 indicated the following amounts of improper compensatory time and overtime pay was awarded for each employee listed below after taking into consideration the reductions made to vacation and/or sick leave balances for certain employees effective June 24, 2006:

PERRY COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2005
 (Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-001 (Continued)

Finding for Recovery Repaid Under Audit – Compensatory Time and Overtime Pay (Continued)

<u>Employee</u>	<u>Improper Comp Time and Overtime Awarded in Terms of Hours</u>	<u>Hourly Rate</u>	<u>Total Value of Improper Comp Time and Overtime Awarded</u>
Randall Allen	30.5	\$16.21	\$494.41
Tim Baker	12.0	\$13.82	\$165.84
Jeremy Butler	1.0	\$15.07	\$15.07
Todd Butler	5.0	\$15.07	\$75.35
Marc Canter	16.5	\$20.62	\$340.23
Gary Chevalier	14.0	\$17.32	\$242.48
Tim Danielson	51.0	\$12.55	\$640.05
Mike Ferguson	7.0	\$16.50	\$115.50
Dave (Carl) Fondale	35.0	\$14.07	\$492.45
Frank Fondale	11.0	\$16.92	\$186.12
Mike Hanson	14.0	\$15.36	\$215.04
Robert Keister	6.0	\$15.92	\$95.52
Matt Miller	24.0	\$13.52	\$324.48
Matt Pierce	9.5	\$15.36	\$145.92
Dave Pingle	43.0	\$15.92	\$684.56
Darron Rambo	16.5	\$16.50	\$272.25
Craig Schooley	85.5	\$16.50	\$1,410.75
Mike Shoults	23.75	\$15.92	\$378.10
Clayton Slatzer	38.5	\$15.92	\$612.92
Matt Stimmel	22.5	\$15.00	\$337.50
Russell Vann	96.5	\$15.36	\$1,482.24

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended has been issued against each of the individuals listed above and Kenton Cannon, Perry County Engineer, and his surety, State Automobile Mutual Insurance Company, jointly and severally, in the amounts listed above, in favor of Perry County.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-001 (Continued)

Finding for Recovery Repaid Under Audit – Compensatory Time and Overtime Pay (Continued)

Effective December 27, 2006, each employee's vacation and/or sick leave balances were reduced by the amount of improper comp time and overtime hours awarded for those employees with sufficient balances to adjust. Tim Danielson, Dave Fondale and Matt Miller, who did not have sufficient balances to adjust and/or were no longer employed by the County, repaid their portions of the Finding for Recovery and such monies were paid into the County Treasury via pay in nos. 60930, 60938 and 60962, dated December 22, December 26 and December 27, 2006, respectively.

Official's Response and Corrective Action Plan

The Auditor of State did a full examination of all time cards submitted by employees starting January 1, 2003 through September 30, 2006. A number of employees had made mistakes on their cards. Handwritten notes from the employees on to the time cards were difficult to read and understand. The Perry County Engineer's Office firmly believes that there was no malicious intent or improper action on the part of the employees. However, our office has purchased and is now using a new modern time clock which is simpler to properly account for compensatory and overtime earned or used.

FINDING NUMBER 2005-002

Noncompliance Citation and Material Weakness – Preparation of Tax Budget

Ohio Rev. Code Section 5705.28(A)(2) provides, in part, that on or before July 15 of each year, the taxing authority of each subdivision or other taxing unit is required to adopt a tax budget for the next succeeding fiscal year. Sound fiscal management includes the preparation of a budget based on both estimated receipts and expenditures. The preparation of the budget should also include the original certificate of estimated resources.

The Board of County Commissioners did not adopt a tax budget for the 2005 fiscal year. Without a budget, the County had no spending plan to assure each department's expenditures were within estimated resources.

We recommend the Board adopt a tax budget on or before July 15 for each succeeding fiscal year.

Officials' Response and Corrective Action Plan

As required by law the 2005 Tax Budget should have been adopted prior to July 15, 2004. In recent years the County had habitually not passed Tax Budgets, Certified or Appropriated Fund and adopted lawful budgets. Beginning January 2005 the County has adopted required Tax Budgets prior to July 15 of the previous year.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-003

Noncompliance Citation and Material Weakness – GAAP Annual Financial Report

Ohio Rev. Code Section 117.38(D) provides, in part, that "each public office shall file a financial report for each year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office." Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and various other administrative remedies may be taken against the County for its failure to file the required financial report.

We recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

Officials Response and Corrective Action Plan

In January 2004 the County Auditor working in cooperation with the Board of Commissioners and the Budget Commission prepared a three year plan to bring the County into compliance in a number of areas which the County had repeatedly been cited for noncompliance in the past.

Part of this plan was the filing of a GAAP report. In the year 2005, the County Auditor filed both a Cash Basis Report (which the County had traditionally done) and GASB look a like which did not meet the GAAP requirements but which was preferred by the Auditor of State's office. The County then secured eligible funds from the County Jobs and Family Services office and installed modernized accounting equipment including internet, software and new computers. The County then began collecting the data necessary to comply with the GAAP requirement. In 2006 the County Auditor expanded the reports to the next level of "look a like", or "nearly GASB" reporting. In 2007, the final year of our three year plan the County is fully prepared and capable of complying with the GASB requirement. Inventories have been assembled in the majority of agencies and the County has the capability of "bar coding" and assigning values to County property.

The County appreciates the patience of the Auditor of State in working with us on a three year plan in order to prepare for GASB reporting.

PERRY COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2005
 (Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-004

Noncompliance Citation – Appropriations In Excess of Estimated Resources

Ohio Rev. Code Section 5705.36(A)(5) provides that “(t)he total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.” Ohio Rev. Code Section 5705.39 prohibits total appropriations in each fund from exceeding total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources in the following funds and amounts as of December 31, 2005:

Fund	Appropriations	Estimated Resources	Variance
Public Assistance Fund	\$6,572,609	\$5,529,948	(\$1,042,661)
Workforce Investment Act Fund	\$1,042,643	\$797,735	(\$244,908)
OWDA Buckeye Lake Fund	\$660,454	\$486,928	(\$173,526)
Water Extension Phase I Fund	\$382,601	\$380,900	(\$1,701)
Litter Control Fund	\$47,535	\$45,807	(\$1,728)
Clerk of Courts Computerization Fund	\$6,063	(\$2,173)	(\$8,236)
Clerk of Courts Computerization Fund	\$16,263	\$5,948	(\$10,315)
Title IV-D Child Support Fund	\$868,257	\$570,632	(\$297,625)

Fund	Appropriations	Estimated Resources	Variance
CDBG Fund	\$428,494	\$496,935	\$68,441
EMA/Office of Homeland Security Fund	\$639,405	\$194,119	(\$445,286)
Juvenile Court Legal Computerization Fund	\$3,500	\$1,980	(\$1,520)
Probate Court Computerization Fund	\$10,000	\$9,175	(\$825)
Juvenile Court Computerization Fund	\$8,000	\$6,691	(\$1,309)
Recorder's Equipment Fund	\$60,001	\$55,001	(\$5,000)
Sheriff CCW Fund	\$11,149	\$6,690	(\$4,459)
Perry County Transit System Fund	\$187,800	\$184,641	(\$3,159)
Perry County Archives Fund	\$15,821	\$13,140	(\$2,681)
Sheriff's Litter Grant Fund	\$64,371	\$56,478	(\$7,893)
Airport Fund	\$352,979	\$283,611	(\$69,368)
EMA Small Projects Fund	\$1,344	\$0	(\$1,344)
Building, Water and Airport Bond Retirement Fund	\$400,373	\$252,637	(\$147,736)
Multi County Juvenile Facility Fund	\$1,161	\$0	(\$1,161)
Thornport Sewer Fund	\$392,887	\$348,443	(\$44,444)
Ceramic Sewer Fund	\$8,319	\$0	(\$8,319)

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-004 (Continued)

Noncompliance Citation – Appropriations In Excess of Estimated Resources (Continued)

We recommend the County Auditor limit appropriations to available estimated resources as appropriations in excess of estimated resources could result in deficit spending. Prior to the Board of County Commissioners adopting any supplemental appropriations, the County Auditor should compare supplemental appropriations to be adopted with estimated resources. In those cases where supplemental appropriations will be in excess of estimated resources, increased amended certificates should be obtained or the Board should refrain from adopting supplemental appropriations.

Officials' Response and Corrective Action Plan

The County Auditor working in conjunction with the County Commissioners and Budget Commission made sweeping improvements to the County Accounting system in 2005. Prior to January 1, 2005 the County failed to issue Certificates of Resources. The current Board of Commissioners was unacquainted with required procedures and therefore was habitually noncompliant for many years. In January 2005 the County Auditor created computer generated Certificates which kept an accurate detail of available resources, appropriations and Auditor's certification. However, the daily operational processing within the office failed to properly record the record from the certificates to the county ledger. This left the County in noncompliance in regards to appropriations compared to resources.

The County believes that the system which is currently in place in regards to certificates of estimated resources is above adequate. However, practices within the recording of the Revenue Budget need to be continually monitored to assure the Revenue Budget matches the Official Certificate of Estimated Resources.

FINDING NUMBER 2005-005

Noncompliance Citation – Expenditures In Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits each subdivision and taxing authority from expending money unless it has been appropriated in accordance with Chapter 5705 of the Ohio Revised Code.

Expenditures exceeded appropriations for the following funds and amounts for the year ended December 31, 2005:

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PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-005 (Continued)

Noncompliance Citation – Expenditures In Excess of Appropriations (Continued)

<u>Fund</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
Unclaimed Monies Fund	\$30,000	\$33,296	(\$3,296)
Victim Witness Coordinator Fund	\$13,140	\$24,780	(\$11,640)
Deputy for County & Twp Roads Fund	\$0	\$30,025	(\$30,025)
Northern Perry County Water Fund	\$562,711	\$739,125	(\$176,414)
Burr Oak & Perry County Water Fund	\$78,088	\$98,168	(\$20,080)
Comprehensive Mental Health Fund	\$227,317	\$239,197	(\$11,880)
CDBG 04 Formula Fund	\$18,000	\$168,939	(\$150,939)
911 Fund	\$78,868	\$98,056	(\$19,188)
Law Enforcement Overtime Fund	\$3,685	\$21,193	(\$17,508)
Bank Building Fund	\$262	\$58,014	(\$57,752)
Northern Perry County Sewer Fund	\$1,827	\$76,710	(\$74,882)

In addition, we noted that expenditures exceeded appropriations at various times throughout the year at the legal level of control, in various accounts in the General Fund.

We recommend the County Auditor deny payment requests unless sufficient appropriations exist. Sufficient appropriations must exist not only at the fund level, but also at the object level, which is the legal level of control for the County. In addition, we recommend County management monitor expenditures and appropriations at the object level to assure that sufficient appropriations exist for the County's future needs.

Officials' Response and Corrective Action Plan

As previously stated the County believes the proper mechanisms now exist, however the physical recording of data within the office must be continuously monitored to assure compliance.

FINDING NUMBER 2005-006

Noncompliance Citation – Failure to Obtain Reduced Amended Certificate

Ohio Rev. Code Section 5705.36 (A)(2) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(3) requires an increased amended certificate be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.36(A)(4) requires that a reduced amended certificate be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-006 (Continued)

Noncompliance Citation – Failure to Obtain Reduced Amended Certificate (Continued)

For the year ended December 31, 2005, appropriations exceeded the beginning balance plus actual receipts as follows:

<u>Fund</u>	<u>Amount</u>
Public Assistance Fund	(\$1,251,138)
Marriage License Fund	(\$1,081)
RSVP Fund	(\$899)
Drop Off Recycling Fund	(\$23,570)
Recorder's Equipment Fund	(\$8,870)
Perry County Transit System Fund	(\$13,521)
MR Capital Improvement Fund	(\$2,788)

Failure to obtain reduced amended certificates of estimated resources and to make corresponding reductions in appropriations resulted in deficit spending.

We recommend the County Auditor and County Commissioners review budgeted and actual receipts each month to determine whether amended certificates of estimated resources are needed. When it is known that actual receipts will fall short of estimates, the County officials should obtain a reduced amended certificate for the deficiency and reduce appropriations accordingly.

Officials' Response and Corrective Action Plan

As previously state the County believes the proper mechanisms now exist, however County employees had become accustomed to habitually being out of compliance that continual monitoring and training is necessary to avoid future noncompliance.

FINDING NUMBER 2005-007

Noncompliance Citation – Fiscal Officer's Prior Certification

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2005-007 (Continued)

Noncompliance Citation – Fiscal Officer’s Prior Certification (Continued)

1. **“Then and Now” Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of County Commissioners) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$100 for counties may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The County did not certify the availability of funds prior to purchase commitments being incurred for 17% of the expenditures tested. There was no evidence that the County Auditor followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend that the County Auditor certify that the funds are or will be available prior to an obligation being incurred by the County. In rare instances when prior certification is not possible, “then and now” certification should be used.

Officials’ Response and Corrective Action Plan

The County has habitually had issues with purchase orders not being in place prior to expending funds. While tremendous improvement has been made since January 2005, we still must improve our education efforts among agencies.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-008

Noncompliance Citation – Certification of Beginning Balances

Ohio Rev. Code Section 5705.36(A)(1)(a)-(b) require that, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditure from each fund. The amount certified shall include any unencumbered balances that existed at the end of the preceding year, excluding any reserve balance in an account established under Ohio Rev. Code Section 5705.13, for the purpose described in division (A)(1) of that section, and excluding the principal of a nonexpendable trust fund established under Ohio Rev. Code Section 5705.131 and any additions to principal arising from sources other than the reinvestment of investment earnings arising from that fund.

The County Auditor included the unencumbered beginning fund balances by fund at January 1, 2005 on the original certificate of estimated resources. Although the original certificate is required to be prepared when the budget is prepared and adopted, the certificate issued in January 2005 was the County's original certificate since no budget was adopted. The County's final certificate of estimated resources again included a column for the January 1, 2005 unencumbered fund balances but the amounts included were the actual fund balances rather than the unencumbered fund balances. As a result, the final certificate was overstated by approximately \$2 million. Adjustments with which County management agree have been made to the financial statements in order to reflect the proper estimated resources.

We recommend the County Auditor prepare the certification of unencumbered beginning fund balances on or about the first day of each fiscal year by certifying beginning fund balances, encumbrances, and unencumbered fund balances. This certification should be kept on file as evidence that this requirement has been met. Only unencumbered fund balances should be certified and this certification should be prepared only after valid outstanding purchase commitments are determined.

Officials' Response and Corrective Action Plan

The County Budget Commission originally certified the balances minus the encumbrances which was correct. Through the business of the year the encumbrances were disregarded in the calculation by error.

FINDING NUMBER 2005-009

Reportable Condition - Policy and Procedures Manuals

The Perry County Board of County Commissioners adopted a policy and procedures manual on August 3, 1995 which was in effect during 2005. In addition to the Board's manual, negotiated agreements between unions and certain County departments existed as well as separate policies and procedures for certain appointing authorities. Generally, there was no County-wide procedure in place to assure that employees were made aware of applicable policies and procedures. We noted the following payroll related issues:

- a. As explained in Finding Number 2005-010, vacation leave was consistently allowed to accumulate in excess of one year's earnings and no written request/permission was prepared as required by County policy. In some cases, employees were permitted to accumulate in excess of three year's vacation earnings and were subsequently paid for the entire balance upon their leaving County employment. This practice resulted in the County incurring payroll related costs not authorized by its policies.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-009 (Continued)

Reportable Condition - Policy and Procedures Manuals (Continued)

- b. Documentation of hours worked each day was lacking in some instances. In certain departments, there were no time sheets used while in the case of the Engineer's department, time sheets only indicated "80 hours" with the daily hours worked not completed in some instances. This practice increases the likelihood that errors and/or irregularities could occur without being detected.
- c. Compensatory time earned and used was often not adequately requested and documented at the departmental level. In addition, compensatory time earned and used was not accounted for by the County Auditor. This practice increases the likelihood that errors and/or irregularities could occur without being detected.

We recommend the following:

- a. The Board of County Commissioners should implement a procedure whereby every County employee, regardless of department, acknowledges that they have received, read and understand the policies by which they are governed.
- b. The Board should implement procedures to assure that its policies are being followed. For those departments with policies that differ from the Board's, departmental procedures should be implemented to assure compliance with each department's policies.
- c. The County's payroll system maintained by the County Auditor should not allow vacation balances to accumulate in excess of what is provided in the various governing policies.
- d. Compensatory time earned and used should be accounted for by the County Auditor in the same manner as are vacation and sick leave benefits.
- e. Since the Board of County Commissioners should be aware of each department's policies and procedures in order to govern the County, the Board should be given a copy of those policies and procedures that differ from those of the Board.

Officials' Response and Corrective Action Plan

The Commissioners had printed, passed out and verifications signed by all employees in 2006.

The County Board of Commissioners are required by law to be the fiscal governing board and custodian of all funds accumulated, raised and expended within the County government. In order to accept this responsibility and appropriately fulfill these duties the County is currently considering adopting a system for 2007 in which County Administrative duties currently assigned to other departments would be under the direct supervision of the Board of Commissioners. This will allow the Board to directly monitor all functions of fund disbursement and increase accountability.

As stated previously the County plans on adopting new procedures which will assure increased accountability and monitoring by the Board of Commissioners as required by law. The County is in need of a Human Resources Department which under the direct supervision of the Commissioners would oversee all employee benefits, payroll, workers compensation and assure the County is within legal obligations of employment law. These procedures are expected to be in place in January 2007.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-010

Noncompliance Citation and Reportable Condition – Vacation Leave

Perry County Policy and Procedures Manual, Section 6.2(c), adopted on August 3, 1995 states that vacation leave is to be taken within the 12 months following the employee's anniversary date. However, the appointing authority may authorize an employee to accumulate vacation leave for up to three years under special circumstances. This accumulation of vacation time must be approved in advance and must be in response to special circumstances as outlined in a written request submitted by the employee. Section 6.2(e) of this policy states that an employee with at least one year of service is entitled to compensation, at his/her current rate of pay, for the pro-rated portion of any earned but unused vacation leave for the current year to his/her credit at the time of separation from the Commissioner's office. In addition, the employee may be compensated for any unused vacation leave accrued to his/her credit with the permission of the appointing authority for the three (3) years immediately preceding the last anniversary date of employment.

Our review of vacation leave balances for each of the County departments indicated that most departments governed by this policy allowed employees to accumulate vacation leave balances beyond 12 months of their anniversary date without submitting a written request and without otherwise obtaining the appointing authority's authorization to do so. Numerous employees carried vacation leave balances in excess of what would be earned in three years.

We recommend the Perry County Board of Commissioners and Prosecuting Attorney initiate the appropriate steps to assure that each employee's vacation balance is adjusted to the amount that was authorized by the appropriate governing policy for each department.

Officials' Response and Corrective Action Plan

The County Commissioners working in conjunction with the agencies have adopted a revised policy handbook specifying maximum amounts of accumulated vacation. The County Commissioners gave a deadline in which all vacation time had to be used or purchased by or the time was surrendered. It is the belief of the County Commissioners that all employees will be within their limits prior to February 2007.

FINDING NUMBER 2005-011

Reportable Condition – County Engineer Employees' Use of Time Clock

We made the following observations concerning time cards utilized by the County Engineer's office:

- a. For the pay period ended December 25, 2004, employees would have been entitled to Friday, December 24th as a holiday, according to the Engineer's holiday policy. For the pay period ended January 8, 2005, employees would have been entitled to Friday, December 31st as a holiday. Rather than recognize a holiday during the week ended December 25th, time cards indicate that approximately one third of the employees recorded three holidays the following week (the week ended January 1, 2005). Approximately two-thirds of the employees recorded two holidays and a day worked, rather than recording a third holiday. The County Engineer indicated that he believes he gave employees an extra day off on the Tuesday in the holiday week between Christmas and New Year's in 2004. Employees were permitted to use any type of leave for the other 10-hour day that, when taken with 30 hours of holiday pay during that week, would provide them with the entire week off.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-011 (Continued)

Reportable Condition – County Engineer Employees’ Use of Time Clock (Continued)

- b. Throughout the period from January, 2003 through September 30, 2006, employees working four 10-hour days were required to supplement holidays with 2 hours of other leave in order to have the entire 10-hour day off. However, for the Christmas and New Year’s holidays, as well as the additional holiday granted during the week ended Saturday, January 1, 2005, employees were not required to supplement the three days with other types of leave. This resulted in employees receiving 30 hours of holiday pay rather than the 16 holiday hours which would have otherwise been received for two holidays.
- c. For the pay period ended December 25, 2004, all 30 employees with time cards utilized the time clock to record hours worked during the first week of the pay period and during Monday, December 20th of the second week of the pay period. Although all 30 employees clocked in on December 21st, time cards indicate that employees neither clocked out on December 21st nor utilized the time clock for the remainder of the week. In fact, with the exception of a few instances where employees indicated they worked comp time or overtime, the time clock was not utilized from Wednesday, December 22, 2004 until Monday, January 3, 2005.

These circumstances raise the question as to whether, with few exceptions, employees actually worked during the time period when the time clock was not utilized, even though hours claimed as worked were hand-written on the time cards.

We believe the payroll related conditions reported above could be indicative of abuse. *Government Auditing Standards* indicates that abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. It was not practicable to determine the effect these conditions may have on the County’s financial statements.

The Ohio Ethics Commission and Auditor of State are currently investigating the propriety of Perry County Engineer’s Department employees performing work at a non-County property in which the County Engineer held an interest.

We recommend that the County Engineer notify the Board of County Commissioners of any additional holidays to be granted and on what days they will be awarded. We also recommend that a policy be adopted and followed concerning the use of a time clock and/or time sheets. The practice of reporting time worked while on holiday pay should be discontinued. Implementation of the recommendations will help set the appropriate “tone at the top” and help establish a control environment conducive to running an efficient governmental entity.

Officials’ Response and Corrective Action Plan

In order for our office to get our payroll collected in time for the Christmas 2004 holidays the employees were asked to manually complete their time cards. The Auditor of State raised a number of questions regarding proof of the employees actually working the time the employees recorded. At the time our supervisors were instructed to perform checks to assure employees had recorded accurate times. Some employees used sick and vacation time on these cards, which clearly indicates there was not misuse of time or improper behavior.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-011 (Continued)

Officials' Response and Corrective Action Plan (Continued)

The Perry County Engineer's Office understands that some employees were confused by manually entering their times but firmly believes that the employees registered the correct times worked and were paid accurately. As stated previously, a new modern time clock has been installed which is simpler to operate and will cause less confusion among employees. Further the new clock should expedite calculations without compromising accountability.

FINDING NUMBER 2005-012

Reportable Condition – County Engineer's Record of Compensatory Time

The Engineer's department maintained a report of compensatory (comp) time for each pay period for each employee that reflected comp time balances at the beginning of the year, comp time earned and used year-to-date, and remaining comp time balances. According to department personnel, this record was posted on the wall by the time clock for employee reference. However, we determined that this report could not be relied upon since, for those employees taking comp time resulting in negative balances, comp time use was not recorded. As a result, the comp report did not reflect the true negative comp time balances when they existed. A separate stenographer's pad was maintained by an employee at the Engineer's department to track negative comp time rather than reporting it on the comp report. When we asked the employee why she accounted for negative comp time in this manner, she indicated that she was told to account for it that way.

These circumstances raise the question as to why an employee would be instructed to prepare a comp time report that would intentionally misstate comp time use and balances so that no negative comp time balances were reported.

We recommend that overtime and comp time be approved as set forth in the Engineer's department policy. Comp time should only be awarded, and overtime should only be paid, after working forty hours. Employees should not be permitted to use comp time if they have not earned it and comp time earned, used and balances should be accurately recorded and reported.

Officials' Response and Corrective Action Plan

In the past, the Perry County Engineer's Office has provided Flex Time in regards to compensatory benefits. In 2004, this Flex Time (termed Negative Comp by the media) was adopted and printed in the Perry County Engineer Employee Policy Manual. This policy has never been in question throughout all audits and examinations performed over twelve years. Our legal counsel, Downes, Hurst and Fishel has determined that the Flex Policy is not outside the parameters of both state and federal employment law. However, this practice has been discontinued.

In retrospect record keeping was not modern and was difficult to ascertain accountability. In order to restore public integrity, the Perry County Engineer's Office has discontinued past accounting practices and have six full time employees that now handle and track all phases of payroll, benefits and hours kept.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-013

Noncompliance Citation and Reportable Condition – County Engineer Employees’ Time Cards Not Presented for Audit

Ohio Revised Code Section 149.38 created in each county a county records commission. County records may be disposed of by the commission pursuant to the procedures outlined in section 149.38 of the Ohio Revised Code.

Time cards for all pay periods between January 1, 2003 and September 30, 2006 were requested and received except no time cards were presented for the pay periods ended May 28, 2005, July 9, 2005 and November 12, 2005. The County Engineer indicated that he did not know why the time cards could not be found for these pay periods.

As a result, payments to employees for these pay periods were not supported by a record of hours worked.

We recommend time cards be maintained in a secure area and only disposed of in accordance with the Perry County Records Commission’s record retention schedule.

Officials’ Response and Corrective Action Plan

All time cards between January 1, 2003 to September 30, 2006 were asked to be examined by the Auditor of State. Our office could not produce pay periods ended May 28, 2005, July 9, 2005 and November 12, 2005.

In the past, old employee’s time cards were stored in an open storage closet. Employees of the Auditor of State have assisted the Perry County Engineer’s Office in realizing the importance of securing these records in order to support verification of time worked and wages earned. The Perry County Engineer’s Office has locked all time cards in a secure location with access only by the Office Clerk.

In conclusion, this years “multiple year” audit disclosed several facets of the Perry County Engineer’s Office’s daily operations which needed improved. With the Auditor of State’s assistance and under their recommendations, the Perry County Engineer’s Office now has six full time people directly involved in the accountability of payroll and employee’s records. The Perry County Engineer’s Office has secured employment records and has purchased a new modern time stamp. Legal Counsel who specialize in employment law have been hired to advise the office on all matters pertaining to benefits and standards, including redrafting of our Employee Policy Handbook.

The Perry County Engineer’s Office appreciates the completeness of this audit and recognizes the increased accountability expands public trust and employee satisfaction. Thank you for your involvement and all the benefits of your recommendations.

FINDING NUMBER 2005-014

Material Weakness - Monitoring by Board of County Commissioners

The County Auditor’s Office provided the Board of County Commissioners, on a monthly basis, a copy of the Revenue Status Report, Expense Status Report and Statement of Cash Position Report for the Board’s review. The status reports include budget information to allow Board members to monitor budget versus actual activity. However, there was no evidence in the minutes to indicate to what extent these reports had been reviewed by the Commissioners and any resulting actions taken.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-014 (Continued)

Material Weakness - Monitoring by Board of County Commissioners (Continued)

As described in Findings 2005-002 and 2005-004 through 2005-008, significant budgetary noncompliance occurred for which the Board may have been able to prevent and/or correct.

We recommend the Board of County Commissioners document in its minutes the acceptance and review of the monthly reports and the appropriate actions to be taken to avoid or correct budgetary violations. While the County Auditor should advise the Board on the needed budgetary measures, it is the Board of County Commissioner's statutory responsibility to adopt the necessary budgetary measures. Only after the Board has adopted budgetary measures can the County Auditor post the effects of these measures to the County's budgetary accounts. As evidenced by the number of budgetary violations that were noted in previous audits and by those cited in this report, a more proactive, concerted approach is needed by the Board and County Auditor in order to prevent future noncompliance and restore budgetary integrity.

Officials' Response and Corrective Action Plan

The Board of Commissioners recognizes that the ever evolving role of a County Commissioner has changed dramatically in recent years. More requirements and increased responsibility must equate into a larger role for the Board in order to adequately perform the Board's legal duties. Contrary to law, over a period of ten years the Perry County Commissioners had surrendered much of their budgetary duties to other county departments. It is evident from recent audits that this practice is unacceptable and has not kept the County abreast of necessary restraints or within fiscal compliance. The Board realizes it is imperative that the County comply with the law and the Board assume its statutory responsibilities. However, the Board must seek assistance in order to properly fulfill its obligations. It is the intention of the Board of Commissioners to assume all its statutory budgetary duties beginning in January 2007. This shall include the placing of personnel directly under the supervision of the Board of Commissioners to oversee or perform all payroll, benefit processes, accumulations, workers compensation, insurances, procedures, budgetary and appropriation duties and continued monitoring activities to assure policies adopted by the Board are properly fulfilled.

PERRY COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS	
Finding Number	2005-015
CFDA Title and Number	Food Donation – CFDA No. 10.550 Forestry Incentives Program – CFDA No. 10.064 HOME Investments Partnership Program – CFDA No. 14.239 Highway Planning and Construction – CFDA No. 20.205 Voting Machine Funding Program – CFDA No. 90.401 State Children’s Health Insurance Program – CFDA No. 93.767 Public Assistance Grants – CFDA No. 97.036
Federal Award Number / Year	See the Schedule of Federal Awards Expenditures
Federal Agency	U.S. Department of Agriculture (CFDA No. 10.550, CFDA No. 10.064) U.S. Department of Housing and Urban Development (CFDA No. 14.239) U.S. Department of Transportation (CFDA No. 20.205) U.S. Election Assistance Commission (CFDA No. 90.401) U.S. Department of Health and Human Services (CFDA No. 93.767) U.S. Department of Homeland Security (CFDA No. 97.036)
Pass-Through Agency	Ohio Department of Education Ohio Department of Development Ohio Department of Transportation Ohio Secretary of State Ohio Department of Mental Retardation and Developmental Disabilities Ohio Department of Public Safety

Noncompliance and Reportable Condition – Completion of the Schedule of Federal Expenditures

Office of Management and Budget (OMB) Circular A-133.300(a) requires each recipient to “(i)dentify, in its accounts, all federal awards received and expended and the federal programs under which they were received, including, as applicable, the CFDA title and number, the award number and year, the name of the federal agency and the pass-through entity.” According to OMB Circular A-133.205(a), “the determination of when an award is expended is based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditures/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income, the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.”

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance Citation and Reportable Condition – Completion of the Schedule of Federal Expenditures (Continued)

When performing tests to assure the completeness of the County's Schedule of Federal Awards Expenditures (the Schedule), we identified the Food Donation Program, Forestry Incentives Program, HOME Investments Partnership Program, Highway Planning and Construction Grant, Voting Machine Funding Program, State Children's Health Insurance Program, and Public Assistance Grants which were not previously identified as Federal programs by the County. As a result of the County not identifying these Federal programs, the original Schedule was incomplete and it was necessary for us to perform additional procedures to assure the completeness of the Schedule. The Federal program expenditures which had not been previously reported to us were in the total amount of \$2,186,226 (41% of total federal expenditures) and are now included on the Schedule.

We recommend the Board of County Commissioners adopt a policy requiring any County department that receives Federal funding to file a copy of all grant documents with the Board and notify the County Auditor of the grant specifications so that the County Auditor can assure the necessary funds have been established and the proper budgetary measures have been taken. The policy should also require each department administering Federal programs to report to the County Auditor a summary of each program's financial activity. In the case of grants being administered on a reimbursement basis, local monies are typically advanced and Federal expenditures actually occur prior to the receipt of Federal monies and must still be reported on the Schedule as Federal expenditures.

Officials Response and Corrective Action Plan

In 2005 the Board of Commissioners adopted by resolution a policy to require all agencies to disclose federal funds. The County Auditor also included a request sheet that was required to be completed with any amended certificate requests in which a letter disclosing the CFDA number and date of grant must be attached prior to a certificate being awarded. It is clear that further education to county agencies is necessary in order for them to realize the importance of proper reporting. The County Auditor's office has habitually had to annoy agencies for their information and many times as reflected in the audit, agencies are unaware that federal funds which pass through other agencies still must be reported. The County will step up our education efforts in order to file a complete federal schedule as required.

The County has come a long way in two short years of our three year plan toward better fiscal accountability and proper fiscal controls. In evidence of the effects of our efforts the County has never been financially stronger as we now carry a forty percent excess balance in our General Fund. The County Insurance Fund which was at one time without reserve now carries over one million dollars of reserve and obligations that at one time were unable to be met are now paid in advance.

We appreciate the assistance of the Auditor of State's office and pledge to continue our reformation.

PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	The County did not adopt a tax budget for the 2004 fiscal year.	No	Not corrected; Repeated as Finding 2005-002.
2004-002	The County Auditor did not certify beginning unencumbered fund balances at January 1, 2004.	No	Not corrected; Repeated as Findings 2005-008
2004-003	The County Auditor did not certify the availability of funds prior to purchase commitments being incurred.	No	Not corrected; Repeated as Finding 2005-007.
2004-004	The County had expenditures in excess of appropriations.	No	Not corrected; Repeated as Finding 2005-005.
2004-005	Appropriations exceeded beginning balances plus actual receipts.	No	Not corrected; Repeated as Finding 2005-006.
2004-006	Appropriations exceeded estimated resources.	No	Not corrected; Repeated as Finding 2005-004.
2004-007	The County incurred deficit spending as evidenced by negative fund balances.	No	Not fully corrected; This noncompliance citation was included in the management letter.
2004-008	The County did not prepare financial statements in accordance with generally accepted accounting principles.	No	Not corrected; Repeated as Finding 2005-003
2004-009	Carryover appropriations were not supported by valid purchase commitments.	No	Not fully corrected; This reportable condition was included in the management letter.
2004-010	Board of County Commissioners was not effectively monitoring operations.	No	Not corrected; Repeated as Finding 2005-014.

PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A -133 § .315 (b)

DECEMBER 31, 2005

(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-011	County did not maintain evidence that self-insurance account was being reconciled.	No	Not fully corrected; This reportable condition was included in the management letter.
2004-012	Several federal programs were not identified in preparation of the federal schedule.	No	Not Corrected; Repeated as Finding 2005-015.



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FINANCIAL CONDITION

PERRY 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
JANUARY 4, 2007**