



*PERRY COUNTY, OHIO*

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**SINGLE AUDIT**

**For the Year Ended December 31, 2008**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







Mary Taylor, CPA  
Auditor of State

Board of County Commissioners  
Perry County  
105 North Main Street  
New Lexington, Ohio 43764

We have reviewed the *Independent Auditor's Report* of Perry County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Perry County is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 6, 2009

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**For the Year Ended December 31, 2008**

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## Independent Auditor's Report

County Commissioners  
Perry County, Ohio  
P. O. Box 248  
121 W. Brown Street  
New Lexington, Ohio 43764

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of Perry County, Ohio, (the County) as of and for the year ended December 31, 2008, 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 audit the financial statements of the Perry County Regional Airport Authority, a discretely presented component unit. We did not audit the financial statements of PERCO, Inc., a discretely presented component unit. Other auditors audited the financial statements of PERCO, Inc. 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 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide 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 basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2008, and the respective changes in cash basis 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 accounting basis Note 2 describes.

Perry County, Ohio  
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures is required by the 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. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 31, 2009

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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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, 2008. 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 2008 are as follows:

- Net cash assets of governmental activities decreased \$68,731. Net cash assets of the business-type activities increased \$446,159.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$14,146,476, a decrease of \$158,441 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 the Perry County Regional Airport Authority and Perco, Inc. These component units are 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*  
*For the Year Ended December 31, 2008*  
*Unaudited*

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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 Developmental Disabilities, and the 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 Receipts, 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.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
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**Government-Wide Financial Analysis**

Recall that the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2008 compared to 2007.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$14,376,337	\$12,331,314	\$1,052,081	\$605,922	\$15,428,418	\$12,937,236
Cash in Segregated Accounts	71,025	55,795	0	0	71,025	55,795
Cash With Fiscal Agents	1,128,782	1,121,222	0	0	1,128,782	1,121,222
Investments	0	2,136,544	0	0	0	2,136,544
<i>Totals Assets</i>	<u>15,576,144</u>	<u>15,644,875</u>	<u>1,052,081</u>	<u>605,922</u>	<u>16,628,225</u>	<u>16,250,797</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	282,772	417,767	0	0	282,772	417,767
Health	3,482,675	3,612,245	0	0	3,482,675	3,612,245
Public Works	2,460,721	2,210,199	0	0	2,460,721	2,210,199
Human Service	212,249	541,477	0	0	212,249	541,477
Other Purposes	5,046,258	4,560,710	0	0	5,046,258	4,560,710
Unclaimed Monies	89,746	98,103	0	0	89,746	98,103
Unrestricted	4,001,723	4,204,374	1,052,081	605,922	5,053,804	4,810,296
<i>Total Net Assets</i>	<u>\$15,576,144</u>	<u>\$15,644,875</u>	<u>\$1,052,081</u>	<u>\$605,922</u>	<u>\$16,628,225</u>	<u>\$16,250,797</u>

A portion of the County's net assets, \$11,574,421 or 70 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$5,053,804, or 30 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, 2008, and comparisons to fiscal year 2007.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2008*  
*Unaudited*

Table 2  
Changes in Net Assets

	Governmental Activites	Business-Type Activities	Total	Governmental Activites	Business-Type Activities	Total
	2008	2008	2008	2007	2007	2007
<b>Receipts</b>						
Program Receipts						
Charges for Services	\$4,581,962	\$1,722,490	\$6,304,452	\$4,536,836	\$1,479,685	\$6,016,521
Operating Grants, Contributions, and Interest	16,667,778	0	16,667,778	19,236,866	0	19,236,866
Capital Grants, Contributions, and Interest	128,411	0	128,411	24,778	400,000	424,778
<i>Total Program Receipts</i>	<u>21,378,151</u>	<u>1,722,490</u>	<u>23,100,641</u>	<u>23,798,480</u>	<u>1,879,685</u>	<u>25,678,165</u>
General Receipts and Transfers						
Property Taxes	4,952,517	0	4,952,517	4,942,976	0	4,942,976
Conveyence Fees	0	0	0	0	0	0
Permissive Sales Taxes	1,832,506	0	1,832,506	1,801,610	0	1,801,610
Intergovernmental	927,509	0	927,509	866,861	0	866,861
Interest	404,153	0	404,153	706,305	0	706,305
Rent	168,623	0	168,623	0	0	0
Payment in Lieu of Taxes	40,934	0	40,934	27,482	0	27,482
Loan Proceeds	0	2,316,786	2,316,786	0	5,927,105	5,927,105
Miscellaneous	582,518	0	582,518	584,043	0	584,043
Transfers In	118,705	0	118,705	119,492	0	119,492
Inception of Capital Lease	943,381	0	943,381	0	0	0
Repayment of Airport Authority Loan	164,680	0	164,680	175,000	0	175,000
<i>Total General Receipts</i>	<u>10,135,526</u>	<u>2,316,786</u>	<u>12,452,312</u>	<u>9,223,769</u>	<u>5,927,105</u>	<u>15,150,874</u>
<i>Total Receipts</i>	<u>31,513,677</u>	<u>4,039,276</u>	<u>35,552,953</u>	<u>33,022,249</u>	<u>7,806,790</u>	<u>40,829,039</u>
<b>Program Disbursements</b>						
General Government:						
Legislative and Executive	2,946,196	0	2,946,196	2,629,634	0	2,629,634
Judicial	1,338,641	0	1,338,641	1,270,192	0	1,270,192
Public Safety	4,344,611	0	4,344,611	3,632,177	0	3,632,177
Public Works	5,411,902	0	5,411,902	5,925,176	0	5,925,176
Public Works - Intergovernmental	12,500	0	12,500	579,091	0	579,091
Health	4,628,145	0	4,628,145	3,981,410	0	3,981,410
Human Services	10,358,726	0	10,358,726	10,899,207	0	10,899,207
Community and Economic Development	541,146	0	541,146	0	0	0
Conservation and Recreation	269,372	0	269,372	265,248	0	265,248
Capital Outlay	1,187,609	0	1,187,609	473,676	0	473,676
Loan to Airport Authority	164,680	0	164,680	175,000	0	175,000
Debt Service:						
Principal	198,259	0	198,259	180,000	0	180,000
Interest and Fiscal Charges	180,621	0	180,621	182,095	0	182,095
Transfers Out	0	118,705	118,705	0	0	0
Water	0	1,184,689	1,184,689	0	1,918,998	1,918,998
Sewer	0	2,289,723	2,289,723	0	5,975,954	5,975,954
<i>Total Disbursements</i>	<u>31,582,408</u>	<u>3,593,117</u>	<u>35,175,525</u>	<u>30,192,906</u>	<u>7,894,952</u>	<u>38,087,858</u>
<i>Change in Net Assets</i>	(68,731)	446,159	377,428	2,829,343	(88,162)	2,741,181
Net Assets Beginning of Year	15,644,875	605,922	16,250,797	12,815,532	694,084	13,509,616
Total Net Assets	<u>\$15,576,144</u>	<u>\$1,052,081</u>	<u>\$16,628,225</u>	<u>\$15,644,875</u>	<u>\$605,922</u>	<u>\$16,250,797</u>

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
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Operating grants were the largest program receipts, accounting for \$16,667,778 or 55 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, Children Services, and Mental Retardation and Developmental Disabilities governmental programs.

Property tax receipts account for \$4,952,517 or 16 percent of total governmental activities receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$1,832,506 or 6 percent of total receipts.

The County's direct charges to users of governmental services made up \$4,581,962 or 15 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 \$10,358,726, or 33 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include health programs, public safety programs and public works programs, which accounted for \$4,628,145, \$4,344,611, and \$5,424,402, or 15 percent, 14 percent and 17 percent, respectively, of total disbursements.

**Business-Type Activities**

The net assets for business-type activities increased by \$446,159 during 2008. Charges for services accounted for \$1,722,490 or 43 percent of receipts. The remaining \$2,316,786, or 57 percent, of revenue represented the loan proceeds from entering into OWDA Loans.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2008 and 2007. 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 2008	Net Cost (Gain) of Services 2008	Total Cost of Services 2007	Net Cost (Gain) of Services 2007
General Government:				
Legislative and Executive	\$2,946,196	\$1,381,684	\$2,629,634	\$965,739
Judicial	1,338,641	729,701	1,270,192	691,598
Public Safety	4,344,611	2,096,053	3,632,177	1,327,613
Public Works	5,411,902	(208,734)	5,925,176	(25,170)
Public Works - Intergovernmental	12,500	12,500	579,091	35,458
Health	4,628,145	1,956,114	3,981,410	959,371
Human Services	10,358,726	2,257,587	10,899,207	1,231,961
Community and Economic Development	541,146	(21,189)	0	0
Conservation and Recreation	269,372	269,372	265,248	265,248
Capital Outlay	1,187,609	1,187,609	473,676	405,513
Principal Retirement	198,259	198,259	180,000	180,000
Interest and Fiscal Charges	180,621	180,621	182,095	182,095
<b>Total Expenses</b>	<b>\$31,417,728</b>	<b>\$10,039,577</b>	<b>\$30,017,906</b>	<b>\$6,219,426</b>

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
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Charges for services, operating grants, and capital grants of \$21,378,151, or 70 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining \$10,039,577 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, rental payments, interest, and miscellaneous receipts.

The \$2,257,587 and \$1,956,114 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.

*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, 2008, the County's governmental funds reported a combined ending fund balance of \$14,146,476, a decrease of \$158,441 in comparison with the prior year. \$12,765,637, or 90 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 (\$1,291,093) or other restricted purposes (\$89,746). 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 2008, unreserved fund balance was \$2,409,571, while total fund balance was \$2,661,801. 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 40 percent to total General Fund disbursements, while total fund balance represents 44 percent of that same amount.

The fund balance of the County's General Fund decreased \$300,718 during 2008. This decrease was mainly derived from the economic decline in the County.

At the end of 2008 the Job and Family Services Special Revenue Fund had a fund balance of \$212,249, in comparison to a fund balance of \$541,477 at the end of 2007. This change is primarily due to decreased grant receipts during 2008.

At the end of 2008 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$3,482,675, in comparison to a fund balance of \$3,612,245 at the end of 2007. This change is primarily due to decreased grant receipts during 2008.

At the end of 2008 the Auto License and Gasoline Tax Special Revenue Fund had a fund balance of \$2,460,721, in comparison to a fund balance of \$2,210,199 at the end of 2007. This increase is primarily due to a increase in state and federal grants pertaining to capital projects in 2008.

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*Management's Discussion and Analysis*  
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*Unaudited*

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*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, 2008, unrestricted net assets for the County's enterprise funds were \$1,052,081.

As of December 31, 2008, unrestricted net assets in the self-insurance program were \$1,429,668. Due to a significant decrease in claims activity, the County's self-insurance reserves remain at a comfortable level.

### **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, 2008, the County had total general obligation bonded debt outstanding of \$3,385,000 for the remodeling of the Jobs and Family Services building and improve water works of the Northern Perry County Water District. The majority of the bonded debt is expected to be repaid through governmental activities, with a portion being paid by the water fund.

In addition to the bonded indebtedness, the County has a number of outstanding loans with government agencies in regards to water and sewer activities and capital lease/ purchase agreements with Johnson Controls. The total principal outstanding as of December 31, 2008 is \$14,734,699 for water and sewer activities. The repayment of these loans will be made through user fees and charges. The total principal outstanding as of December 31, 2008 is \$930,122 for the capital lease/ purchase agreements. See Note 12 for capital leases and Note 13 for additional information regarding the County's debt.

### **Economic Factors**

The unemployment rate for the County is currently 8.5 percent, which is an increase from 7.4 percent in 2007. Perry County has long been considered a manufacturing and agricultural County. The increase in unemployment is directly related to the financial hardships of the region due to the trends of the economy.

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.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
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The various economic factors were considered in the preparation of the County's 2009 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

**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: Teresa Stevenson, Perry County Auditor, 105 North Main Street, New Lexington, Ohio 43764.

**Perry County, Ohio**  
*Statement of Net Assets - Modified Cash Basis*  
 December 31, 2008

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	PERCO, Inc.	Perry County Regional Airport Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$14,376,337	\$1,052,081	\$15,428,418	\$0	\$110,903
Cash in Segregated Accounts	71,025	0	71,025	519,524	0
Cash With Fiscal Agents	1,128,782	0	1,128,782	0	0
<i>Total Assets</i>	<u>15,576,144</u>	<u>1,052,081</u>	<u>16,628,225</u>	<u>519,524</u>	<u>110,903</u>
<b>Net Assets</b>					
Restricted for:					
Capital Projects	282,772	0	282,772	0	0
Health	3,482,675	0	3,482,675	0	0
Public Works	2,460,721	0	2,460,721	0	0
Human Services	212,249	0	212,249	0	0
Other Purposes	5,046,258	0	5,046,258	0	0
Unclaimed Monies	89,746	0	89,746	0	0
Unrestricted	4,001,723	1,052,081	5,053,804	519,524	110,903
<i>Total Net Assets</i>	<u>\$15,576,144</u>	<u>\$1,052,081</u>	<u>\$16,628,225</u>	<u>\$519,524</u>	<u>\$110,903</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2008*

	Program Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$2,946,196	\$1,534,944	\$29,568	\$0
Judicial	1,338,641	579,050	29,890	0
Public Safety	4,344,611	201,802	2,046,756	0
Public Works	5,411,902	769,279	4,722,946	128,411
Public Works - Intergovernmental	12,500	0	0	0
Health	4,628,145	835,457	1,836,574	0
Human Services	10,358,726	661,430	7,439,709	0
Community and Economic Development	541,146	0	562,335	0
Conservation and Recreation	269,372	0	0	0
Capital Outlay	1,187,609	0	0	0
Debt Service				
Principal Retirement	198,259	0	0	0
Interest and Fiscal Charges	180,621	0	0	0
<i>Total Governmental Activities</i>	<u>31,417,728</u>	<u>4,581,962</u>	<u>16,667,778</u>	<u>128,411</u>
<b>Business-Type Activities</b>				
Water Fund	1,184,689	713,461	0	0
Sewer Fund	2,289,723	1,009,029	0	0
<i>Total Business-Type Activities</i>	<u>3,474,412</u>	<u>1,722,490</u>	<u>0</u>	<u>0</u>
<i>Total Primary Government</i>	<u>\$34,892,140</u>	<u>\$6,304,452</u>	<u>\$16,667,778</u>	<u>\$128,411</u>
<i>Component Unit:</i>				
PERCO, Inc.	\$328,670	\$364,750	\$3,660	\$0
Perry County Regional Airport Authority	472,905	0	572,003	0
<i>Total Component Unit</i>	<u>\$801,575</u>	<u>\$364,750</u>	<u>\$575,663</u>	<u>\$0</u>

**General Receipts**

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  
 Rent  
 Payment in Lieu of Taxes  
 Miscellaneous  
 Loan Proceeds  
 Inception of Capital Lease

*Total General Receipts*

Transfers

Loan to Perry County Regional Airport Authority  
 Repayment of Perry County Regional Airport Authority Loan

*Total General Receipts and Other Financing Sources(Uses)*

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.	Perry County Regional Airport Authority
(\$1,381,684)	\$0	(\$1,381,684)	\$0	\$0
(729,701)	0	(729,701)	0	0
(2,096,053)	0	(2,096,053)	0	0
208,734	0	208,734	0	0
(12,500)	0	(12,500)	0	0
(1,956,114)	0	(1,956,114)	0	0
(2,257,587)	0	(2,257,587)	0	0
21,189	0	21,189	0	0
(269,372)	0	(269,372)	0	0
(1,187,609)	0	(1,187,609)	0	0
(198,259)	0	(198,259)	0	0
(180,621)	0	(180,621)	0	0
(10,039,577)	0	(10,039,577)	0	0
0	(471,228)	(471,228)	0	0
0	(1,280,694)	(1,280,694)	0	0
0	(1,751,922)	(1,751,922)	0	0
(10,039,577)	(1,751,922)	(11,791,499)	0	0
0	0	0	39,740	0
0	0	0	0	99,098
0	0	0	39,740	99,098
1,749,147	0	1,749,147	0	0
1,428,039	0	1,428,039	0	0
215,699	0	215,699	0	0
448,359	0	448,359	0	0
973,071	0	973,071	0	0
138,202	0	138,202	0	0
1,832,506	0	1,832,506	0	0
927,509	0	927,509	0	0
404,153	0	404,153	14,422	0
168,623	0	168,623	0	0
40,934	0	40,934	0	0
582,518	0	582,518	0	0
0	2,316,786	2,316,786	0	0
943,381	0	943,381	0	0
9,852,141	2,316,786	12,168,927	14,422	0
118,705	(118,705)	0	0	0
(164,680)	0	(164,680)	0	164,680
164,680	0	164,680	0	(164,680)
118,705	(118,705)	0	0	0
(68,731)	446,159	377,428	54,162	99,098
15,644,875	605,922	16,250,797	465,362	11,805
\$15,576,144	\$1,052,081	\$16,628,225	\$519,524	\$110,903

**Perry County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2008*

	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,572,055	\$212,249	\$2,353,893	\$2,460,721	\$5,258,005	\$12,856,923
Restricted Cash and Cash Equivalents	89,746	0	0	0	0	89,746
Cash in Segregated Accounts	0	0	0	0	71,025	71,025
Cash With Fiscal Agents	0	0	1,128,782	0	0	1,128,782
<i>Total Assets</i>	<u>\$2,661,801</u>	<u>\$212,249</u>	<u>\$3,482,675</u>	<u>\$2,460,721</u>	<u>\$5,329,030</u>	<u>\$14,146,476</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$162,484	\$186,722	\$286,485	\$275,480	\$379,922	\$1,291,093
Reserved for Unclaimed Monies	89,746	0	0	0	0	89,746
Unreserved:						
Undesignated, Reported in:						
General Fund	2,409,571	0	0	0	0	2,409,571
Special Revenue Funds	0	25,527	3,196,190	2,185,241	4,669,106	10,076,064
Capital Projects Funds	0	0	0	0	280,002	280,002
<i>Total Fund Balances</i>	<u>\$2,661,801</u>	<u>\$212,249</u>	<u>\$3,482,675</u>	<u>\$2,460,721</u>	<u>\$5,329,030</u>	<u>\$14,146,476</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, 2008*

**Total Governmental Fund Balances** \$14,146,476

*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.

1,429,668

**Net Assets of Governmental Activities**

\$15,576,144

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, 2008*

	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$1,749,147	\$0	\$1,428,039	\$0	\$1,775,331	\$4,952,517
Sales Taxes	1,832,506	0	0	0	0	1,832,506
Payment in Lieu of Taxes	40,934	0	0	0	0	40,934
Charges for Services	820,299	383,401	724,913	0	1,708,916	3,637,529
Licenses and Permits	3,024	0	0	0	292,877	295,901
Fines and Forfeitures	334,896	0	0	14,394	115,552	464,842
Intergovernmental	954,691	5,124,469	1,622,973	4,992,770	5,186,931	17,881,834
Interest	376,760	0	0	25,828	0	402,588
Rent	0	0	0	0	168,623	168,623
Miscellaneous	54,101	202,775	277,915	0	47,453	582,244
<i>Total Receipts</i>	<u>6,166,358</u>	<u>5,710,645</u>	<u>4,053,840</u>	<u>5,032,992</u>	<u>9,295,683</u>	<u>30,259,518</u>
<b>Disbursements</b>						
Current:						
General Government:						
Legislative and Executive	2,234,558	0	0	0	729,506	2,964,064
Judicial	1,082,305	0	0	0	264,472	1,346,777
Public Safety	2,056,264	0	0	0	2,309,309	4,365,573
Public Works	0	0	0	4,782,470	631,693	5,414,163
Public Works - Intergovernmental	12,500	0	0	0	0	12,500
Health	108,993	0	4,183,410	0	337,243	4,629,646
Human Services	281,030	6,248,850	0	0	3,840,435	10,370,315
Community and Economic Development	0	0	0	0	541,146	541,146
Conservation and Recreation	269,372	0	0	0	0	269,372
Capital Outlay	875,271	0	0	0	312,338	1,187,609
Debt Service:						
Principal Retirement	12,365	0	0	0	185,894	198,259
Interest and Fiscal Charges	5,366	0	0	0	175,255	180,621
<i>Total Disbursements</i>	<u>6,938,024</u>	<u>6,248,850</u>	<u>4,183,410</u>	<u>4,782,470</u>	<u>9,327,291</u>	<u>31,480,045</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(771,666)</u>	<u>(538,205)</u>	<u>(129,570)</u>	<u>250,522</u>	<u>(31,608)</u>	<u>(1,220,527)</u>
<b>Other Financing Sources (Uses)</b>						
Advances In	60,000	0	0	0	125,200	185,200
Advances Out	(125,200)	0	0	0	(60,000)	(185,200)
Transfers In	0	208,977	0	0	248,851	457,828
Transfers Out	(339,123)	0	0	0	0	(339,123)
Inception of Capital Lease	875,271	0	0	0	68,110	943,381
Loan to Perry County Regional Airport Authority	(164,681)	0	0	0	0	(164,681)
Repayment of Perry County Regional Airport Authority Loan	164,681	0	0	0	0	164,681
<i>Total Other Financing Sources (Uses)</i>	<u>470,948</u>	<u>208,977</u>	<u>0</u>	<u>0</u>	<u>382,161</u>	<u>1,062,086</u>
<i>Net Change in Fund Balances</i>	<u>(300,718)</u>	<u>(329,228)</u>	<u>(129,570)</u>	<u>250,522</u>	<u>350,553</u>	<u>(158,441)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,962,519</u>	<u>541,477</u>	<u>3,612,245</u>	<u>2,210,199</u>	<u>4,978,477</u>	<u>14,304,917</u>
<i>Fund Balances End of Year</i>	<u>\$2,661,801</u>	<u>\$212,249</u>	<u>\$3,482,675</u>	<u>\$2,460,721</u>	<u>\$5,329,030</u>	<u>\$14,146,476</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, 2008*

**Net Change in Fund Balances - Governmental Funds** (\$158,441)

*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 disbursements and the related internal service fund receipts are eliminated. The net disbursements of the internal service fund is allocated among the governmental activities.

89,710

**Change in Net Assets of Governmental Activities**

(\$68,731)

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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$1,751,683	\$1,751,683	\$1,749,147	(\$2,536)
Sales Taxes	1,660,000	1,660,000	1,832,506	172,506
Payment in Lieu of Taxes	40,934	40,934	40,934	0
Charges for Services	1,078,322	1,078,322	820,299	(258,023)
Licenses and Permits	2,750	2,750	3,024	274
Fines and Forfeitures	323,500	323,500	334,896	11,396
Intergovernmental	775,766	775,766	954,691	178,925
Interest	450,000	450,000	376,760	(73,240)
Miscellaneous	0	1,442	54,101	52,659
<i>Total Receipts</i>	<u>6,082,955</u>	<u>6,084,397</u>	<u>6,166,358</u>	<u>81,961</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	2,136,588	2,406,512	2,297,936	108,576
Judicial	1,142,018	1,161,973	1,123,792	38,181
Public Safety	2,002,019	2,110,492	2,069,433	41,059
Public Works - Intergovernmental	26,799	25,320	25,320	0
Health	100,632	120,525	110,183	10,342
Human Services	278,894	389,061	379,224	9,837
Conservation and Recreation	188,932	192,752	192,752	0
Capital Outlay	0	875,271	875,271	0
Debt Service:				
Principal	14,000	30,897	21,231	9,666
Interest and Fiscal Charges	0	0	5,366	(5,366)
<i>Total Disbursements</i>	<u>5,889,882</u>	<u>7,312,803</u>	<u>7,100,508</u>	<u>212,295</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>193,073</u>	<u>(1,228,406)</u>	<u>(934,150)</u>	<u>294,256</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	60,000	60,000
Advance Out	(112,289)	(289,880)	(125,200)	164,680
Transfers Out	(224,958)	(329,670)	(339,123)	(9,453)
Inception of Capital Lease	0	875,271	875,271	0
Repayment of Perry County Regional Airport Authority Loan	0	0	164,681	164,681
Loan to Perry County Regional Airport Authority	(41,500)	(48,266)	(164,681)	(116,415)
<i>Total Other Financing Sources (Uses)</i>	<u>(378,747)</u>	<u>207,455</u>	<u>470,948</u>	<u>263,493</u>
<i>Net Change in Fund Balance</i>	(185,674)	(1,020,951)	(463,202)	557,749
<i>Fund Balance Beginning of Year</i>	2,776,845	2,776,845	2,776,845	0
Prior Year Encumbrances Appropriated	185,674	185,674	185,674	0
<i>Fund Balance End of Year</i>	<u>\$2,776,845</u>	<u>\$1,941,568</u>	<u>\$2,499,317</u>	<u>\$557,749</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, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$340,000	\$383,401	\$383,401	\$0
Intergovernmental	6,900,000	5,635,840	5,124,469	(511,371)
Miscellaneous	230,000	222,041	202,775	(19,266)
<i>Total Receipts</i>	7,470,000	6,241,282	5,710,645	(530,637)
<b>Disbursements</b>				
Current:				
Human Services	7,205,648	7,024,749	6,435,572	589,177
<i>Excess of Receipts Under Disbursements</i>	264,352	(783,467)	(724,927)	58,540
<b>Other Financing Source</b>				
Transfers In	225,000	208,977	208,977	0
<i>Net Change in Fund Balance</i>	489,352	(574,490)	(515,950)	58,540
<i>Fund Balance Beginning of Year</i>	467,591	467,591	467,591	0
Prior Year Encumbrances Appropriated	73,886	73,886	73,886	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,030,829</u>	<u>(\$33,013)</u>	<u>\$25,527</u>	<u>\$58,540</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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$1,491,793	\$1,491,793	\$1,428,039	(\$63,754)
Charges for Services	886,489	886,489	724,913	(161,576)
Intergovernmental	1,304,199	1,304,199	1,622,973	318,774
Miscellaneous	136,255	136,255	277,915	141,660
<i>Total Receipts</i>	3,818,736	3,818,736	4,053,840	235,104
<b>Disbursements</b>				
Current:				
Health	4,036,025	4,353,213	4,469,895	(116,682)
<i>Net Change in Fund Balance</i>	(217,289)	(534,477)	(416,055)	118,422
<i>Fund Balance Beginning of Year</i>	3,394,955	3,394,955	3,394,955	0
Prior Year Encumbrances Appropriated	217,290	217,290	217,290	0
<i>Fund Balance End of Year</i>	<u>\$3,394,956</u>	<u>\$3,077,768</u>	<u>\$3,196,190</u>	<u>\$118,422</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, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Fines and Forfeitures	\$20,450	\$20,450	\$14,394	(\$6,056)
Intergovernmental	4,304,550	4,763,550	4,992,770	229,220
Interest	75,000	75,000	25,828	(49,172)
<i>Total Receipts</i>	4,400,000	4,859,000	5,032,992	173,992
<b>Disbursements</b>				
Current:				
Public Works	4,720,934	5,695,807	5,057,950	637,857
<i>Net Change in Fund Balance</i>	(320,934)	(836,807)	(24,958)	811,849
<i>Fund Balance Beginning of Year</i>	1,889,264	1,889,264	1,889,264	0
Prior Year Encumbrances Appropriated	320,935	320,935	320,935	0
<i>Fund Balance End of Year</i>	<u>\$1,889,265</u>	<u>\$1,373,392</u>	<u>\$2,185,241</u>	<u>\$811,849</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2008*

	Business-Type Activities		Total	Governmental Activity-
	Sewer	Water		Internal Service
	Enterprise Fund	Enterprise Fund		Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$959,834	\$92,247	\$1,052,081	\$1,429,668
<i>Total Assets</i>	959,834	92,247	1,052,081	1,429,668
<b>Net Assets</b>				
Unrestricted	959,834	92,247	1,052,081	1,429,668
<i>Total Net Assets</i>	\$959,834	\$92,247	\$1,052,081	\$1,429,668

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, 2008*

	Business-Type Activities		Total	Governmental Activities-
	Sewer Enterprise Fund	Water Enterprise Fund		Internal Service Fund
<b>Operating Receipts</b>				
Charges for Services	\$1,009,029	\$713,461	\$1,722,490	\$0
Charges for Services - Health Benefits	0	0	0	2,961,937
Interest	0	0	0	27,393
<i>Total Operating Receipts</i>	<u>1,009,029</u>	<u>713,461</u>	<u>1,722,490</u>	<u>2,989,330</u>
<b>Operating Disbursements</b>				
Personal Services	106,771	34,214	140,985	0
Contractual Services	113,610	244,971	358,581	0
Contractual Services - Health Benefits	0	0	0	515,241
Materials and Supplies	106,756	13,354	120,110	0
Claims - Health Benefits	0	0	0	2,384,379
Capital Outlay	1,850,461	549,694	2,400,155	0
Other	17,573	4,336	21,909	0
Debt Service				
Principal	68,700	262,067	330,767	0
Interest	25,852	76,053	101,905	0
<i>Total Operating Disbursements</i>	<u>2,289,723</u>	<u>1,184,689</u>	<u>3,474,412</u>	<u>2,899,620</u>
<i>Operating Gain (Loss)</i>	(1,280,694)	(471,228)	(1,751,922)	89,710
<b>Non-Operating Receipts</b>				
Proceeds of Loans	1,814,396	502,390	2,316,786	0
<i>Income Before Transfers</i>	533,702	31,162	564,864	89,710
Transfers Out	0	(118,705)	(118,705)	0
<i>Change in Net Assets</i>	533,702	(87,543)	446,159	89,710
<i>Net Assets Beginning of Year</i>	<u>426,132</u>	<u>179,790</u>	<u>605,922</u>	<u>1,339,958</u>
<i>Net Assets End of Year</i>	<u><u>\$959,834</u></u>	<u><u>\$92,247</u></u>	<u><u>\$1,052,081</u></u>	<u><u>\$1,429,668</u></u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Agency Funds*  
*December 31, 2008*

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,394,354
Cash and Cash Equivalents in Segregated Accounts	<u>131,979</u>
<i>Total Assets</i>	<u><u>\$2,526,333</u></u>
 <b>Net Assets</b>	
Restricted for:	
District Board of Health	1,008,973
Undivided Tax	904,305
Payroll	248,521
Family and Children First Council	195,622
County Court	72,612
Sheriff	59,367
Housing Trust	30,740
Soil and Water Conservation	6,152
Law Library	31
Ohio Election Commission	<u>10</u>
 Total Net Assets	 <u><u>\$2,526,333</u></u>

See accompanying notes to the financial statements

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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**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 Units**

The component unit column on the financial statements identifies the financial data of the County's component units, the Perry County Regional Airport Authority and PERCO Inc. These are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Notes 18 and 19 to the basic financial statements.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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The Perry County Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Revised Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation and maintenance of the airport and its facilities in Perry County. The Authority operates under the direction of a six-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation of the airport. The Authority is considered to be a component unit of Perry County and is discretely presented. The Nature and significance of the relationship between the County and the Authority is such that exclusion would cause the County's financial statements to be misleading. The Authority operates on a fiscal year ending on December 31.

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 Inc. 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 Inc. Based on the significant services and resources provided by the County to PERCO Inc. and PERCO Inc.'s sole purpose of providing assistance to the retarded and handicapped adults of Perry County, PERCO Inc. is considered to be a component unit of Perry County. The nature and significance of the relationship between the County and the workshop is such that exclusion would cause the County's financial statements to be misleading or incomplete. PERCO Inc. operates on a fiscal year ending December 31. Separately-audited statements for PERCO Inc. 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 Department*** The Department is governed by the Board of Health which oversees the operation of the Department 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, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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***Perry County Family & Children First Council*** The Perry County Family, Adult, 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 2008, 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. The Corrections Commission of Southeastern Ohio (the "Commission") is a joint venture of which Athens, Hocking, Morgan and Perry counties are members. The Commission is a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Commission was established to use the authority common to the members to develop, construct, operate and administer a multi-county correctional center to augment county jail programs and facilities.

The Commission was established by the Board of County Commissioners of Athens, Hocking, Morgan and Perry counties. The Commission is directed by one commissioner from each participating county, along with the sheriff and the presiding judge of the court of common pleas of each participating county. Any of these may name other representatives to fulfill this duty. The presiding judge for Hocking County chose to neither participate nor name a representative so there were 11 directors of the Commission in 2008. Each member county is responsible for a portion of the capital and operating budget as follows:

Athens County	42.46%	Perry County	25.14%
Hocking County	18.99%	Morgan County	13.41%

Complete financial statements of the Commission may be obtained from its administrative office.

The County participates in several jointly governed organizations and a public entity risk pool. These organizations are presented in Notes 15 and 16 to the basic financial statements. These organizations are:

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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Buckeye Hills Resource Conservation and Development Project  
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  
Fairfield, Hocking, Licking, and Perry Multi-County Juvenile Detention System  
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.

### **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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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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.

#### 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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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 – 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 - 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 2008. 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.

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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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 in Segregated Accounts".

Cash that is held by Mid East Ohio Regional Council (See Note 15) is recorded as "Cash with Fiscal Agents."

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

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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During 2008, the County invested in nonnegotiable certificates of deposit, money market savings account, federal agency securities, money market mutual funds, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

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 2008 amounted to \$376,760, which includes \$318,965 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.

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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L. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities on the government-wide statements are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. 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.

N. 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.

O. 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 \$11,574,421 of restricted net assets, of which none 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.

P. Interfund Transactions

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

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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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.

**Note 3 – Change in Accounting Principles**

For 2008, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations” and GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”.

GASB Statement No. 49 addresses the accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The implementation of this statement did not result in any change to the financial statements.

**Note 4 – Compliance**

The following budgetary violations were noted:

The Job and Family Services Fund had final appropriations in excess of estimated resources in the amount of \$33,013 which is contrary to Section 5705.39, Revised Code:

The Recorders Equipment Needs Fund had expenditures plus encumbrances in excess of appropriations in the amount of \$3,687 which is contrary to section 5705.41 (B), Revised Code.

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2008

**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 cash basis is (are) outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to:

	General	Job and Family Services	Mental Retardation and Developmental Disabled	Motor Vehicle and Gasoline Tax
Cash Basis	(\$300,718)	(\$329,228)	(\$129,570)	\$250,522
Loan to the Airport Authority	(164,681)	0	0	0
Repayment of Loan from Airport Authority	164,681	0	0	0
Encumbrances	(162,484)	(186,722)	(286,485)	(275,480)
Budget Basis	<u>(\$463,202)</u>	<u>(\$515,950)</u>	<u>(\$416,055)</u>	<u>(\$24,958)</u>

**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 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;

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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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).

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 \$7,748,111 for the County and \$110,903 for the Perry County Regional Airport Authority and the bank balance was \$7,843,207. Of the bank balance \$1,740,714 was covered by Federal depository insurance and \$6,102,493 was exposed to custodial credit risk because it was uninsured and uncollateralized. This does not include \$1,128,782 in Cash with Fiscal Agents which is held by MEORC which cannot be disclosed by risk because it is co-mingled with other Counties' moneys.

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The County has no deposit policy for custodial credit 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.

**Investments**

Investments are reported at fair value. As of December 31, 2008, the County had the following investments:

	Fair Value	Maturity
Money Market Mutual Funds	\$374,715	7 Days
Federal National Mortgage Association Note	544,390	October 10, 2013
Federal Home Loan Mortgage Securities	601,128	July 22, 2011
Federal National Mortgage Association Note	300,750	February 11, 2011
Federal National Mortgage Association Note	502,500	April 1, 2011
Federal Home Loan Mortgage Securities	600,936	January 22, 2013
STAROhio	7,353,246	54.7 Days
Total Portfolio	<u>\$10,277,665</u>	

**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 and the Federal National Mortgage Association Notes carry 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, 2008:

Investment Issuer	Percentage of Investments
Money Markets	3.65%
Federal Home Loan Mortgage Securities	11.69%
Federal National Mortgage Association Note	13.11%
STAROhio	71.55%

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**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, public utility and tangible personal property located in the County. Property tax revenue received during 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009.

The full tax rate for all County operations for which 2008 property tax receipts were based upon was \$16.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	\$438,779,260
Public Utility Tangible Personal Property	39,526,310
Tangible Personal Property	3,136,000
Total Assessed Value	<u>\$481,441,570</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. The due dates for 2008 were March 21 and July 18.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable September 20.

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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.

**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 2008, the County contract 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	44,551,897
Equipment Breakdown	100,000,000
Crime	1,000,000
Uninsured Motorists Liability	250,000
Stop Gap Liability	1,000,000
Medical Professional Liability	6,000,000
Bridges	369,259

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 2008, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2008, 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.

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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**

Plan Description - 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% 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. Under the combined plan, OPERS invest employer contributions 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety division exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classification contributed 10.0% of covered payroll. Public safety and law enforcement members contributed 10.1%.

The County's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.4 percent of covered payroll.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$746,750, \$838,079, and \$957,422, respectively; 100 percent has been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for 2008 were \$3,050 made by the County and \$2,178 made by plan members.

**Note 11 – Postemployment Benefits**

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

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To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local government employers contributed 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$731,405, \$544,702 and \$461,453, respectively; the full amounts have been contributed for 2008, 2007, and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Note 12 – Capital Leases – Lessee Disclosure**

The County has entered into capitalized leases in order to provide equipment and services in order to update the efficiency of County facilities. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statements of modified cash receipts, disbursements, and changes in fund balances for governmental funds. The following are the two leases that were entered into during 2008.

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On April 18, 2008, the County entered into a Lease/ Purchase Agreement with Johnson Controls in the amount of \$875,271 to be repaid over ten years with an interest rate of 5.26%. This agreement was entered into to provide equipment and services in order to update the efficiency of County facilities. The County made principal payments during 2008 of \$12,365. The annual lease requirements to maturity are as follows:

Year Ended December 31,	Capital Lease/ Purchase Agreement	Interest
2009	\$75,777	\$30,609
2010	78,571	27,814
2011	81,467	24,920
2012	84,469	21,917
2013	87,583	18,804
2014-2018	455,039	59,162
Total	\$862,906	\$183,226

On September 19, 2008, the County entered into a Lease/ Purchase Agreement on behalf of Children Services with Johnson Controls in the amount of \$68,110 to be repaid over ten years with an interest rate of 7.02%. This agreement was entered into to provide equipment and services in order to update the efficiency of their facilities. The County made principal payments during 2008 of \$894. The annual lease requirements to maturity are as follows:

Year Ended December 31,	Capital Lease/ Purchase Agreement	Interest
2009	\$5,517	\$3,086
2010	5,785	2,819
2011	6,066	2,538
2012	6,360	2,243
2013	6,669	1,935
2014-2018	36,819	4,762
Total	\$67,216	\$17,383

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**Note 13 – Long-Term Obligations**

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

	Interest Rate	Principal Outstanding 12/31/2007	Additions	Deductions	Principal Outstanding 12/31/2008	Amount Due Within One Year
<b>Governmental Activities</b>						
<u>General Obligation Bonds:</u>						
2001 - Various Purpose Improvement Bonds	3.6%-5.1%	\$3,570,000	\$0	\$185,000	\$3,385,000	\$195,000
Capital Lease/ Purchase Agreement						
County Buildings	5.26%	0	875,271	12,365	862,906	75,777
Children Services	7.02%	0	68,110	894	67,216	5,517
Total Governmental Activities		<u>\$3,570,000</u>	<u>\$943,381</u>	<u>\$198,259</u>	<u>\$4,315,122</u>	<u>\$276,294</u>
<b>Business-Type Activities</b>						
<u>Ohio Public Works Commission Loans:</u>						
1994 Thornport Water Project	2.00%	309,946	0	38,702	271,244	39,480
2002 Water Systems Improvement Project	2.00%	65,903	0	2,710	63,193	2,764
2002 Sanitary Sewer Improvements II Project	2.00%	236,555	0	9,726	226,829	9,921
Total Ohio Public Works Commission Loans		<u>612,404</u>	<u>0</u>	<u>51,138</u>	<u>561,266</u>	<u>52,165</u>
<u>Ohio Water Development Authority Loans:</u>						
1998 Buckeye Lake Water Lines	5.76%	389,330	0	62,260	327,070	65,846
2000 Water Line Construction	6.41%	96,196	0	3,258	92,938	3,470
2000 Robinwood Estates Sewer Improvments	6.03%	52,058	0	1,665	50,393	1,767
2000 Crown Wehrle WWTP Improvments	6.03%	28,045	0	897	27,148	952
2001 Water Meter Installation	1.50%	246,639	0	8,608	238,031	8,737
2001 Water Design	5.55%	35,329	0	35,329	0	0
2002 Ceramic Road Area Sewers	1.00%	647,853	0	22,423	625,430	22,648
2003 Northern Perry Sewers Phase I	1.00%	1,003,878	0	33,989	969,889	34,330
2004 Waterline Extension	1.00%	455,029	0	14,452	440,577	14,597
2004 Waterline Extension Phase 1B	1.00%	468,756	0	14,291	454,465	14,435
2005 Waterline Extension Phase 1 C	1.00%	2,802,674	0	82,457	2,720,217	84,635
2007 Sewer Extension Phase II	1.50%	5,359,890	1,814,396	0	7,174,286	0
2007 BORWD Waterline Extension	1.00%	550,696	502,390	0	1,053,086	0
Total Ohio Water Development Authority Loans		<u>12,136,373</u>	<u>2,316,786</u>	<u>279,629</u>	<u>14,173,530</u>	<u>251,417</u>
Total Business-Type Activities		<u>\$12,748,777</u>	<u>\$2,316,786</u>	<u>\$330,767</u>	<u>\$14,734,796</u>	<u>\$303,582</u>

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 for \$460,000; to renovate the building to house personnel and functions of the Job and Family Services Department for \$2,600,000; and to acquire the Perry County Airport and improve the water supply and water works of the Northern Perry County Water District for \$1,490,000. 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 above bonds are being repaid from the Bond Retirement Fund.

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, with 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:

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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

Annual debt service requirements to maturity for the remaining Various Purpose Improvement Bonds are as follows:

Year Ended December 31,	General Obligation Bonds	Interest
2009	\$195,000	\$166,945
2010	205,000	158,658
2011	210,000	149,843
2012	220,000	140,393
2013	230,000	130,492
2014-2018	1,345,000	461,107
2019-2021	980,000	101,745
Total	\$3,385,000	\$1,309,183

**Ohio Public Works Commission (OPWC) Loans – Water Enterprise Fund**

The Ohio Public Works Commission (OPWC) Thornport Water Project Loan was entered into in 1994 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 Loan was entered into in 2002 in the amount of \$65,903 for the purpose of financing improvements to the water system. The loan will be repaid in semiannual installments of \$2,007, 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.

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Annual debt service requirements to maturity for the remaining Ohio Public Works Commission Loans are as follows:

<u>Year Ended December 31,</u>	<u>Ohio Public Works Commission</u>	<u>Interest</u>
2009	\$42,244	\$6,478
2010	43,094	5,630
2011	43,959	4,763
2012	44,843	3,880
2013	45,744	2,978
2014-2018	81,637	5,498
2019-2023	17,555	2,516
2024-2027	15,361	699
Total	<u><u>\$334,437</u></u>	<u><u>\$32,442</u></u>

**Ohio Public Works Commission (OPWC) Loan – Sewer Enterprise Fund**

The Ohio Public Works Commission (OPWC) Sanitary Sewer Improvements II Project Loan was entered into in 2002 in the amount of \$236,555 for the purpose of financing improvements to the sewer system. The loan will be repaid in semiannual installments of \$7,204, 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.

Annual debt service requirements to maturity for the remaining Ohio Public Works Commission Loans are as follows:

<u>Year Ended December 31,</u>	<u>Ohio Public Works Commission</u>	<u>Interest</u>
2009	\$9,921	\$4,487
2010	10,121	4,288
2011	10,325	4,084
2012	10,532	3,877
2013	10,744	3,665
2014-2018	57,046	14,998
2019-2023	63,014	9,030
2024-2027	55,126	2,510
Total	<u><u>\$226,829</u></u>	<u><u>\$46,939</u></u>

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**Ohio Water Development Authority (OWDA) Loans – Water Enterprise Fund**

The Ohio Water Development Authority (OWDA) Buckeye Lake Water Lines Loan 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 in 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 Loan 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) Water Meter Installation Loan 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 in 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 Loan relates to an engineering design loan for the Northern Perry County Wastewater System. As of December 31, 2007, 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. On February 20, 2008, the outstanding balance of \$35,329 was paid off by the BORWD Waterline Extension Loan.

The Ohio Water Development Authority (OWDA) Waterline Extension, Waterline Extension Phase 1B, and Waterline Extension Phase 1C Loans relates to a planning loan for extending water lines. These loans will be paid in semiannual installments of \$9,483, \$9,472 and \$55,813, respectively, including interest, over thirty years. The County has agreed to set utility rates sufficient to cover the debt service requirements of these notes.

The Ohio Water Development Authority (OWDA) BORWD Waterline Extension Loan relates to a project for the construction of waterlines and an elevated water tank to supply water to the Northern Perry County Water District and the Village of Junction City. As of December 31, 2008, the County had drawn down \$1,053,087. This loan will be repaid over thirty years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$4,273,298 in OWDA loans issued from 1998 to 2008. Proceeds from these loans provided financing for various water, sewer, and wastewater projects. The loans are payable solely from customer net revenues and are payable through 2036. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net revenues in future years; however, in 2008, principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$2,061,330. Principal and interest payments for the current year were \$338,120, net revenues were (\$31,162) and total revenues were \$1,285,151.

During 2008, interest in the amount of \$7,947 was capitalized on the principal balances of the County's OWDA loans.

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The OWDA loans listed above, except for the BORWD Waterline Extension loan, are not included in the following amortization schedule since OWDA has not established a payment schedule. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA notes without payment schedules:

Year Ended December 31,	Ohio Water Development Authority Loans	Interest
2009	\$191,720	\$64,148
2010	197,011	58,858
2011	202,548	53,321
2012	208,345	47,524
2013	172,078	41,448
2014-2018	685,110	170,809
2019-2023	730,095	125,823
2024-2028	738,713	79,716
2029-2033	743,756	40,752
2034-2036	403,922	6,766
Total	\$4,273,298	\$689,165

**Ohio Water Development Authority (OWDA) Loans – Sewer Enterprise Fund**

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.

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 of \$1,287, including interest, 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) Ceramic Road Area Sewers Loan 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 Loan relates to the construction of collection sewers to serve the northern part of the County surrounding Thornport. This loan will be repaid in annual installments of \$43,943, including interest, over the next twenty nine years. In 2005, late fees of \$41 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, 2008

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The Ohio Water Development Authority (OWDA) Sewer Expansion Phase II Loan relates to a project for the installation of sewage lines located in the Buckeye Lake vicinity and the sewage will be sent to the Crown Wehrle Wastewater Treatment Plant. As of December 31, 2008, the County had drawn down \$7,174,286. This loan will be repaid over thirty years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,672,860 in OWDA loans issued from 1998 to 2008. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2033. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the bonds are expected to require less than 15 percent of net revenues in future years. The total principal and interest remaining to be paid on the loans is \$1,930,328. Principal and interest payments for the current year were \$94,553, net revenues were \$533,702, and total revenues were \$2,823,425.

During 2008, interest in the amount of \$178,728 was capitalized on the principal balances of the County's OWDA notes.

The OWDA loans listed above, except for the Sewer Expansion Phase II Loan, are not included in the following amortization schedule since OWDA has not established a payment schedule. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA notes without payment schedules:

Year Ended December 31,	Ohio Water Development Authority Loans	Interest
2009	\$59,697	\$20,446
2010	60,434	19,709
2011	61,189	18,954
2012	61,959	18,184
2013	62,746	17,397
2014-2018	326,202	74,513
2019-2023	348,982	51,738
2024-2028	351,238	27,417
2029-2033	340,413	9,109
Total	\$1,672,860	\$257,467

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2008

**Note 14 – Transfers and Advances**

Interfund transfers for the year ended December 31, 2008, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Water Fund</u>	
Major Funds:			
Job and Family Services	\$208,977	\$0	\$208,977
Other Non-Major			
Governmental Funds	130,146	118,705	248,851
Total All Funds	<u>\$339,123</u>	<u>\$118,705</u>	<u>\$457,828</u>

Advances for the year ended December 31, 2008, consisted of the following:

<u>Advance to</u>	<u>Advance from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Nonmajor Governmental</u>	
General	\$0	\$60,000	\$60,000
Other Nonmajor	0	0	0
Governmental	125,200	0	125,200
Total	<u>\$125,200</u>	<u>\$60,000</u>	<u>\$185,200</u>

The advances are due to lags between the dates when goods and services are provided, transactions recorded in the accounting system, and payments between funds are made. Also, short term loans were advanced from the General Fund to the Transit System Special Revenue Fund and to the Perry County Regional Airport Authority Component Unit.

**Note 15 – Jointly Governed Organizations**

**A. Buckeye Hills Resource Conservation and Development Project**

The Buckeye Hills Resource Conservation and Development Project was organized to lead local efforts directed toward improving social and economic conditions of the Buckeye Hills RC&D Area through development, conservation, and proper use of all the resources of the area. It serves Athens, Belmont, Hocking, Meigs, Monroe, Morgan, Noble, Perry, and Washington Counties. The Project is governed by an executive council. The Council is composed of one County Commissioner from each county, one member from the Soil and Water Conservation District of each county, a member from the Muskingum Watershed Conservancy District, and one member from the Rush Creek Conservancy District. The Council has total control over budgeting, personnel, and all other financial matters. During 2008, the Council received \$350 in administrative fees from Perry County. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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**B. Buckeye Hills-Hocking Valley Regional Development District**

The Buckeye Hills-Hocking Valley Regional Development District serves Washington, Athens, Hocking, Meigs, Monroe, Morgan, Noble, and Perry Counties. The District was created to foster a cooperative effort in regional planning, programming, and the implementing of regional plans and programs. The District is governed by a fifteen member board of directors. The board is composed of one member from the City of Marietta and one from the City of Athens, one elected official from each of the participating Counties, and the remaining members are private citizens appointed by the respective political bodies based upon population. The board has total control over budgeting, personnel, and all other financial matters. The District receives Title III monies directly. Currently, a portion of the Title III monies are distributed to the O'Neill Senior Citizens Center Corporation, a private not-for-profit corporation. The County contributed \$500 to the District during 2008. The continued existence of the District is not dependent on the County's continued participation and no equity interest exists.

**C. 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.

**D. 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, Perry, 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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E. 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.

F. 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.

G. 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 an 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 2008, 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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**H. 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 withdrawl, upon the recommendation of the County Juvenile Court Judge, it may sell or lease its interest in the System to another participating county.

**Note 16 – 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. That participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA.

**Note 17 – 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, 2008.

**B. Litigation**

The County is currently not under any pending litigation

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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**Note 18 – Perry County Regional Airport Authority**

The following are the Perry County Regional Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2008:

**A. Summary of Significant Accounting Policies**

**Basis of Presentation:** The Summary of Significant Accounting Policies is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who are responsible for their integrity and objectivity. These accounting policies conform to the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**Liability for Income Taxes:** The Authority is exempt from income tax under Section 501(c)(3) of Internal Revenue Code.

**Cash and Cash Equivalents:** The Authority considers deposits with maturities of twelve months or less to be cash equivalents.

**Property, Plant and Equipment:** Fixed assets acquired or constructed for the Authority are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**B. Cash and Cash Equivalents**

At December 31, 2008, the carrying amount of the Authority's deposits was \$110,903 and the bank balance was \$110,903. The bank balance was covered by federal depository insurance.

**Note 19 – Perco, Inc**

The following are the PERCO, Inc. notes to the financial statements for the year ended December 31, 2008:

**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. The Agency was formed to rehabilitate and train mentally retarded and developmentally disable adults in Perry County, Ohio within a sheltered workshop environment, and to 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 12, 2009) provides the 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, 2008*

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**B. Summary of Significant Accounting Policies**

Basis of Accounting: The financial statements of the Organization 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. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

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, 2008 and 2007, cash consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash checking account - Peoples National Bank	\$187,312	\$146,084
Certificates of Deposit	332,212	319,278
Total Cash	<u>\$519,524</u>	<u>\$465,362</u>

At December 31, 2008 and 2007, \$8,472 and \$110,420, respectively, of cash was not covered by FDIC insurance.

Perco established a checking account in January 2006 held at Peoples National Bank and is acting in an agency capacity to Perry County MRDD in order to assist disabled persons and their families. Perry County MRDD holds and writes checks to approved recipients based on certain criteria and replenishes funds by request of the Ohio State Auditor. The Director of Perco and the Superintendent of Perry Co. MRDD have the authority to sign checks.

During 2008, deposits totaled \$71,749 and disbursements totaled \$72,880. During 2007, deposits totaled \$86,502 and disbursements totaled \$86,526. Since Perco is only the custodian of the checking account and does not control the activity in the account, it is not included in the statements of cash receipts and disbursements.

**D. Concentrations**

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

In addition, Perco received 40% and 40% of its cash receipts during 2008 and 2007 respectively from a recycling contract with Perry County.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2008*

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E. Subsequent Event

During 2008, management discovered that the Agency did not obtain the Certificate Authorizing Special Minimum Wage Rates under Section 14(c) of the Fair Labor Standards Act (FLSA) through the U.S. Department of Labor (DOL) and was not approved under this certificate for the past four years. The FLSA provides that workers with disabilities whose disabilities impair their ability to perform the type of work being done in the establishment may be employed at wage below the minimum otherwise required by the FLSA. Management contacted the DOL accordingly and has been working with a consultant to resolve this issue. The Organization received this special certificate effective January 26, 2009 and will remain in effect until December 31, 2010. In February 2009, it was determined by the DOL that the Organization shall compensate disabled workers paid below minimum wage for the past two years for the difference between the actual payments and minimum wage. Management has not determined the amount of the liability.

**PERRY COUNTY, OHIO**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Noncash Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through the Ohio Department of Education</i>				
Nutrition Cluster:				
School Breakfast Program	05PU	10.553	10,364	0
National School Lunch Program	LLP4	10.555	17,372	3,558
Total Nutrition Cluster			<u>27,736</u>	<u>3,558</u>
Total U.S. Department of Agriculture			27,736	3,558
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed through the Ohio Department of Development/State's Program</i>				
Community Development Block Grants:				
FY07 CDBG Formula	B-F-07-059-1	14.228	124,500	0
FY07 CHIP	B-F-07-059-1	14.228	105,062	0
Total Community Development Block Grants			<u>229,562</u>	<u>0</u>
HOME Investment Partnerships Program	B-C-07-059-2	14.239	150,386	0
Total HOME Investment Partnerships Program			<u>150,386</u>	<u>0</u>
Total U.S. Department of Housing and Urban Development			379,948	0
<b><u>U.S. Department of Labor</u></b>				
<i>Passed through WIA Area 14:</i>				
Workforce Initiative Allocation - Adult	(1)	17.258	232,099	0
Workforce Initiative Allocation - Adult - Administrative	(1)	17.258	4,779	0
Workforce Initiative Allocation - Adult Total			<u>236,878</u>	<u>0</u>
Workforce Initiative Allocation - Youth Activities	(1)	17.259	281,955	0
Workforce Initiative Allocation - Youth Activities - Administrative	(1)	17.259	5,845	0
Workforce Initiative Allocation - Youth Activities Total			<u>287,800</u>	<u>0</u>
Workforce Initiative Allocation - Dislocated Workers	(1)	17.260	92,965	0
Workforce Initiative Allocation - Dislocated Workers - Administrative	(1)	17.260	1,914	0
Workforce Initiative Allocation - Dislocated Workers Total			<u>94,879</u>	<u>0</u>
Total Workforce Initiative Allocation Cluster			<u>619,557</u>	<u>0</u>
Total U.S. Department of Labor			619,557	0
<b><u>U.S. Department of Transportation</u></b>				
<i>Direct Program:</i>				
Airport Improvement Program	3-39-005-0608	20.106	111,240	0
Total Airport Improvement Program			<u>111,240</u>	<u>0</u>
<i>Passed Through the Ohio Department of Transportation:</i>				
Formula Grants for Other Than Urbanized Areas	ETHA-0064-008-081	20.509	9,331	0
	RPT-4064-027-081		28,374	0
Total Formula Grants for Other Than Urbanized Areas			<u>37,705</u>	<u>0</u>
Total U.S. Department of Transportation			148,945	0

(Continued)

**PERRY COUNTY, OHIO**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures	Noncash Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed through the 8 Area Agency on Aging</i>				
Title III-B, Grants for Supportive Services and Senior Centers	(1)	93.044	58,857	0
Total Title III-B			<u>58,857</u>	<u>0</u>
Title III-C-1, Nutrition Services	(1)	93.045	22,081	0
Title III-C-25, Nutrition Services	(1)	93.045	40,357	0
Total Title III-C			<u>62,438</u>	<u>0</u>
Total U.S. Department of Health and Human Services			121,295	0
<b><u>Corporation for National and Community Service</u></b>				
<i>Direct Program:</i>				
Retired and Senior Volunteer Program	07SRNOH001	94.002	38,440	0
Total Corporation and National Community Service			38,440	0
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through Ohio Emergency Management Agency</i>				
Emergency Management Performance Grant	2007-EM-E7-0085	970.42	5,567	0
	2008-EM-E8-0002		41,125	0
Total U.S. Department of Homeland Security			<u>46,692</u>	<u>0</u>
Total Federal Expenditures			<u>\$1,382,613</u>	<u>\$3,558</u>

(1) - Passthrough entity number not available  
(2) - Direct from the federal government

See accompanying notes to the schedule of federal awards expenditures.

**PERRY COUNTY, OHIO**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the year ended December 31, 2008**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C - REVOLVING LOAN FUNDS**

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money from these loans to the County, pass through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. 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 of property and equipment and by guarantees. At December 31, 2008, the gross amount of loans outstanding under this program were \$38,818.

**NOTE D - 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 expenditures of non-Federal matching funds is not included on the Schedule.

**Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards**

Board of Commissioners  
Perry County, Ohio  
105 N. Main Street  
New Lexington, Ohio 43764

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2009, wherein we noted that the County uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of PERCO, Inc. as described in our opinion on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiency described as finding 2008-001 and 2008-003 in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

Board of Commissioners  
Perry County, Ohio  
Independent Accountant's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described as finding 2008-001 and 2008-003 in the accompanying schedule of findings, is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2008-001 and 2008-002.

We noted certain matters that we have reported to the management of the County in a separate letter dated August 31, 2009.

The County's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 31, 2009

**Independent Accountant's Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Board of Commissioners  
Perry County, Ohio  
105 N. Main Street  
New Lexington, Ohio 43764

**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 are applicable to its major federal programs for the year ended December 31, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the County's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 are applicable to each of its major federal programs for the year ended December 31, 2008.

**Internal Control over Compliance**

The management of the County 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Board of Commissioners  
Perry County, Ohio  
Independent Accountant's Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control over Compliance in Accordance with  
OMB Circular A -133

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weakness as defined below. We did not identify any deficiencies in the internal control over compliance that we consider to be a material weakness.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 31, 2009

**PERRY COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2008*

**A. SUMMARY OF AUDITOR'S RESULTS**

<b>1. Type of Financial Statement Opinion</b>	Unqualified
<b>2. Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>3. Were there any other significant deficiencies in internal controls reported at the financial statement level (GAGAS)?</b>	No
<b>4. Was there any material noncompliance reported at the financial statement level (GAGAS)?</b>	Yes
<b>5. Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>6. Were there any other reportable internal control weaknesses reported for major federal programs?</b>	No
<b>7. Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>8. Are there any reportable findings under § .510?</b>	No
<b>9. Major Programs (list):</b>	Community Development Block Grant CFDA# 14.228 Workforce Allocation Cluster: CFDA #17.258, 17.259, 17.260
<b>10. Dollar Threshold: Type A/B Programs</b>	Type A: >\$300,000 Type B: All Other Programs
<b>11. Low Risk Auditee?</b>	No

**PERRY COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2008*

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

***Finding Number 2008-001***

**Financial Statement Adjustments - Significant Deficiency/Material Weakness/Material Noncompliance**

Rule 117-2-01(A) and 117-2-01(B)(1) of the Ohio Administrative Code directs all public offices to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the County Auditor and Board of Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The following audit adjustments were made to the December 31, 2008 financial statements:

1. To add the proceeds and capital outlay for a new capital lease to the General and Children's Services Funds.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the County properly follow the policies and procedures established for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the County and thereby increasing the reliability of the financial data throughout the year.

**Official's Response**

No officials' response was received for this finding.

**PERRY COUNTY, OHIO**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended December 31, 2008*

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***Finding Number 2008-002***

**Annual Financial Report - Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal 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 Admin. 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 and notes omitting 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 subject to various other administrative remedies for its failure to file the required financial report.

The County should prepare its annual financial report in accordance with generally accepted accounting principles.

Official's Response

The County has no immediate plans to file its annual financial report in accordance with generally accepted accounting principles. This may be an option in the future if the County's financial conditions improve.

***Finding Number 2008-003***

**Direct Payments to Contractors - Significant Deficiency/Material Weakness**

When a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value of the program received under the agreement should be recorded as memorandum receipt and disbursements in the year on-behalf-of disbursements are made.

During 2008, \$467,061 was spent on behalf of the County via the Ohio Public Works Commission (OPWC) where disbursements were made directly from OPWC to the applicable contractors. Loan proceeds in the amount of \$1,444,305 were also disbursed directly to contractors from the Ohio Water Development Authority (OWDA) without receipt and disbursements being recorded as a memorandum entries by the County.

**PERRY COUNTY, OHIO**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2008**

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As a result, adjustments were necessary at year-end to properly reflect this activity in the financial statements.

We recommend the County record on-behalf-of activity as memorandum receipts and disbursements in the year the disbursements are made. We also recommend the County budget for the receipt activity based upon the date when cash disbursements are expected to be made on the County's behalf. Once budgeted receipts have been amended, the Board should pass a resolution amending its appropriation measure and then record appropriations in the County's accounting system. Auditor of State Bulletin 2000-008 provides further guidance on this matter.

Official's Response

The County Auditor intends to monitor this activity more closely in the future.

<b>C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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There were no findings or questioned costs related to the federal awards required to be reported.

**PERRY COUNTY, OHIO**  
**Corrective Action Plan**  
**For the Year Ended December 31, 2008**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Contact Person</b>
2008-001	The County will review journal entries to attempt to correct any issues prior to future audits.	N/A	Teresa Stevenson, Auditor  County Commissioners: Lonnie Wood, President Fred Shriner, Member Ed Keister, Member
2008-002	The County does not anticipate filing on a GAAP basis until financial conditions improve.	No estimated date.	Teresa Stevenson, Auditor  County Commissioners: Lonnie Wood, President Fred Shriner, Member Ed Keister, Member
2008-003	The County intends to monitor on-behalf-of activities more closely	Immediate.	Teresa Stevenson, Auditor  County Commissioners: Lonnie Wood, President Fred Shriner, Member Ed Keister, Member

**PERRY COUNTY, OHIO**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2008**

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2007-001	The County did not prepare financial statements in accordance with generally accepted accounting principles.	Not Corrected	Re-issued in current Schedule of Audit Findings as item 2008-002.
2007-002	The County adopted a tax budget after the prescribed deadline for the 2008 fiscal year.	Partially Corrected	Re-issued in Management Letter.
2007-003	The County did not include the unencumbered fund balance on the first amended certificate of estimated resources.	Corrected	N/A
2007-004	Expenditures exceeded Appropriations.	Partially Corrected	Re-issued in Management Letter.
2007-005	The County Auditor did not certify the availability of funds prior to purchase commitments being incurred.	Corrected	N/A
2007-006	The County Commissioners failed to adequately monitor the County's Self Insurance Activity.	Corrected	N/A
2007-007	The County did not make memorandum receipts and disbursement entries for on-behalf-of program agreements.	Not Corrected	Re-issued in current Schedule of Audit Findings as item 2008-003.
2007-008	Logical access controls not adequate for Windows server passwords and accounts.	Corrected	N/A
2007-009	Logical access controls not adequate for SSI and Tyler Technologies server passwords and accounts.	Corrected	N/A
2007-010	Logical access controls not adequate for Northern Perry Water application.	Corrected	N/A



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 24, 2009**