



**PERRY COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

County Auditor and Members of Council
Perry County

We have reviewed the Independent Auditor's Report of Perry County, prepared by Jones, Cochenour & Co. for the audit period January 1, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 29, 2003

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PERRY COUNTY
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REPORT OF INDEPENDENT AUDITORS'

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

We have audited the accompanying financial statements of Perry County, (the "County"), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 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 described in Note 1, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, 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, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the County, as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual budgetary disbursements, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**Jones, Cochenour & Co.
May 16, 2003**

PERRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
CASH RECEIPTS						
Local taxes	\$ 1,440,759	\$ 2,233,197	\$ -	\$ -	\$ -	\$ 3,673,956
Intergovernmental receipts	2,326,505	10,430,949	-	557,692	-	13,315,146
Charges for services	946,445	1,102,688	99,793	86,936	-	2,235,862
Fines, licenses, and permits	137,579	116,751	-	-	-	254,330
Special assessments	-	4,026,453	479	531,273	-	4,558,205
Miscellaneous	326,534	591,862	36,682	56,034	-	1,011,112
TOTAL CASH RECEIPTS	5,177,822	18,501,900	136,954	1,231,935	-	25,048,611
CASH DISBURSEMENTS						
General government:						
Legislative and executive	1,374,827	491,851	-	108,331	-	1,975,009
Judicial	1,138,279	231,389	-	-	-	1,369,668
Public safety	1,614,867	1,243,268	-	20,657	-	2,878,792
Public works	-	3,462,073	-	-	-	3,462,073
Health	86,477	2,483,518	-	-	-	2,569,995
Human services	178,341	9,083,100	-	-	700	9,262,141
Conservation	175,329	-	-	-	-	175,329
Miscellaneous	1,341	-	9,442	-	-	10,783
Debt Services:						
Bond principal payment	-	-	150,400	-	-	150,400
Note principal payment	210,234	28,635	56,070	57,143	-	352,082
Interest and fiscal charges	78,638	5,557	229,578	11,193	-	324,966
Capital outlay	26,070	1,973,613	680,754	1,886,624	-	4,567,061
TOTAL CASH DISBURSEMENTS	4,884,403	19,003,004	1,126,244	2,083,948	700	27,098,299
TOTAL RECEIPTS						
OVER/(UNDER) DISBURSEMENTS	293,419	(501,104)	(989,290)	(852,013)	(700)	(2,049,688)

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

PERRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
OTHER FINANCING						
RECEIPTS/(DISBURSEMENTS)						
Proceeds of notes	-	-	-	825,515	-	825,515
Transfers - in	-	302,976	326,045	-	-	629,021
Transfers - out	(502,863)	(21,421)	(172,866)	(202,225)	-	(899,375)
OWDA loan proceeds	-	-	-	-	-	-
Other financing uses	-	(3,310)	-	-	-	(3,310)
Advances - in	103,147	11,328	100,344	245,568	-	460,387
Advances - out	(6,200)	(86,275)	(61,922)	-	-	(154,397)
TOTAL OTHER FINANCING						
RECEIPTS/(DISBURSEMENTS)	<u>(405,916)</u>	<u>203,298</u>	<u>191,601</u>	<u>868,858</u>	<u>-</u>	<u>857,841</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(112,497)	(297,806)	(797,689)	16,845	(700)	(1,191,847)
FUND CASH BALANCES						
JANUARY 1, 2002	<u>761,249</u>	<u>5,414,696</u>	<u>840,489</u>	<u>638,543</u>	<u>2,087</u>	<u>7,657,064</u>
FUND CASH BALANCES						
DECEMBER 31, 2002	<u>\$ 648,752</u>	<u>\$ 5,116,890</u>	<u>\$ 42,800</u>	<u>\$ 655,388</u>	<u>\$ 1,387</u>	<u>\$ 6,465,217</u>

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

PERRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL PROPRIETARY FUND TYPES AND OTHER FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
OPERATING RECEIPTS				
Charges for services	\$ 371,755	\$ -	\$ 25,200	\$ 396,955
Other operating revenues	35,585	-	239,082	274,667
Taps	70,000	-	-	70,000
TOTAL OPERATING REVENUES	477,340	-	264,282	741,622
OPERATING DISBURSEMENTS				
Personal services	133,988	-	268,310	402,298
Contractual services	194,146	-		194,146
Supplies and materials	20,382	-	-	20,382
TOTAL OPERATING DISBURSEMENTS	348,516	-	268,310	616,826
Operating Income	128,824	-	(4,028)	124,796
NON-OPERATING RECEIPTS				
Other non-operating receipts	-	-	25,190,105	25,190,105
NON-OPERATING DISBURSEMENTS				
Other non-operating disbursements	-	-	(24,759,868)	(24,759,868)
NET NON-OPERATING INCOME	128,824	-	426,209	555,033
Transfers - in	202,225	-	77,496	279,721
Transfers - out	-	-	(9,366)	(9,366)
Advances - in	-	-	83,000	83,000
Advances - out	(244,766)	-	(144,223)	(388,989)
Net income	86,283	-	433,116	519,399
FUND CASH BALANCES,				
JANUARY 1, 2002	61,123	-	1,313,132	1,374,255
FUND CASH BALANCES,				
DECEMBER 31, 2002	\$ 147,406	\$ -	\$ 1,746,248	\$ 1,893,654

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

**PERRY COUNTY
 COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL
 DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 5,189,193	\$ 5,280,969	\$ 91,776
Special Revenue	15,346,260	18,816,204	3,469,944
Debt Service	540,316	563,343	23,027
Capital Projects	5,095,040	2,303,018	(2,792,022)
Enterprise	<u>472,663</u>	<u>679,565</u>	<u>206,902</u>
TOTALS	<u>\$ 26,643,472</u>	<u>\$ 27,643,099</u>	<u>\$ 999,627</u>

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

**PERRY COUNTY
 COMBINED STATEMENT OF BUDGETARY DISBURSEMENTS
 COMPARED WITH EXPENDITURE AUTHORITY
 DECEMBER 31, 2002**

<u>Fund Types/Funds</u>	<u>Prior Year Encumbrances plus Current Year Appropriations</u>	<u>Encumbrances plus Disbursements</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 5,720,058	\$ 5,567,806	\$ 152,252
Special Revenue	23,651,175	19,274,226	4,376,949
Debt Service	1,382,859	1,370,661	12,198
Capital Projects	4,096,996	3,120,684	976,312
Enterprise	<u>399,070</u>	<u>613,586</u>	<u>(214,516)</u>
TOTALS	<u><u>\$ 35,250,158</u></u>	<u><u>\$ 29,946,963</u></u>	<u><u>\$ 5,303,195</u></u>

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

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Perry County is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. A County Auditor and County Treasurer are responsible for fiscal control of the resources of the County. Services provided by the County include, but are not limited to, general government, public safety, public works, health, human services, and administration of justice.

The departments listed below maintain amounts of cash activity in a fiduciary capacity outside the control of the County Treasurer. While these departments are part of the primary government, these amounts are not included in accompanying financial statements. The following table summarizes cash activity in these accounts during the year ended December 31, 2002.

Department	2002			
	Beginning Cash Balances	Receipts	Disbursements	Ending Cash Balance
Sheriff's Office	\$ 36,160	\$ 1,164,418	\$ 1,180,920	\$ 19,658
Sheriff (FOJ)	-	22,277	22,277	-
RSVP	1,400	4,312	5,591	121
Auditor	-	111,329	95,830	15,499
Group Home	5,078	7,574	8,585	4,067
County Court	54,719	759,284	763,866	50,137
CDBG	23,161	360	23,059	462
Probate Court	3,911	47,163	47,139	3,935
Juvenile Court (estimated)	25,698	47,292	18,429	54,560
Clerk of Courts	282,590	2,323,211	2,451,514	154,287
Recorder	19,671	225,449	224,451	20,669
Prosecuting Attorney (FOJ)	2	14,019	11,601	2,420
Children's Services	16,347	334	1,055	15,626
Multi-County Juvenile	-	1,284	653	631
TOTALS	\$ 468,737	\$ 4,728,306	\$ 4,854,970	\$ 342,072

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
(As Required by Various Statutes)**

A. DESCRIPTION OF THE ENTITY – CONTINUED

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

Primary Government:

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Perry County, that includes the Perry County Board of Mental Retardation and Developmental Disabilities (MRDD); Perry County Emergency Management Agency (EMA) and other departments and activities that are directly operated by the elected County officials.

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 organization's 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 provided financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Perry County has the following component unit as defined by GASB Statement 14:

Perco, Inc.

The inclusion of the financial activity of this component unit on the financial statements of Perry County is not required under the basis of accounting as reflected below. The audited financial activity of the component unit can be obtained from the Perry County Board of Mental Retardation and Developmental Disabilities, their fiscal agent.

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 agencies and districts 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 presented as agency funds within the combined financial statements:

- Perry County General Health District and associated grants**
- Perry County Soil and Water Conservation District**
- Perry County Family and Children First Council**
- Perry County Planning Commission**
- CFLP Solid Waste**

PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY – CONTINUED

The County is associated with certain organizations which are defined as joint ventures or jointly governed organizations as defined by GASB Statement 14:

Joint Venture

The Fairfield, Hocking, Licking, and Perry County Multi-County Juvenile Detention System (System) is a statutorily created political subdivision of the State. The System is a joint venture operated by Fairfield, Hocking, Licking, and Perry Counties for the purpose of providing short-term care in a secure facility for juveniles who are accused, pending court action, adjudicated, or awaiting transfer to another facility. The operating 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 operation of the System including budgeting, appropriation, contracting, and designating management. The joint board of commissioners appoints a board of twelve trustees to operate the System. The System's purpose is to not accumulate significant financial resources or experience fiscal stress that would cause additional financial benefit to, or burden on, the counties involved.

Each County will be contributing to the System in the form of a local share as a match for the grant revenues from the Ohio Department of Youth Services. The contribution will be based on the number of children from each county who are maintained in the home during the year. In addition to the initial contribution, there will be an annual contribution by each county for operational expenses. The counties are responsible for all major capital improvements based on population of each county. The System's continued existence is dependent upon the County's participation. The County has an ongoing financial responsibility and an equity interest exists. If the County would withdrawal, upon the recommendation of the County Juvenile Court Judge, it may sell or lease their interest in the System to another participating county.

Jointly Governed

The County is a member of the Coshocton-Fairfield-Licking-Perry Solid Waste District, which is a jointly governed organization. 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, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the Licking County Auditor and Treasurer, and the Licking County Commissioners budget and finance the District with board approval. The District's sole revenue source is derived from 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 by the County are anticipated. A twenty-one member policy committee, comprised of five members from each county and one at-large member appointed by the board of directors, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council (members appointed by the policy committee). Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY – CONTINUED

Tri-County Workforce Development Policy Board

The Tri-County Workforce Development policy Board is a non-profit corporation, created on July 1, 2000, to develop a comprehensive workforce system pursuant to the House Bill 470 and the Federal Workforce Investment Act of 1998. Their purpose is to bring together business, education, and labor leaders to assess the workforce needs of employers and employment and training needs of job seekers. The Board consists of nine representatives from each of the following counties: Fairfield, Hocking and Perry. Appointments to the Board are made by the County Commissioners of the respective counties. In 2000, 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.

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

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

The County uses fund accounting to segregate cash and investments that are restricted as to use. The County classifies its funds into the following types:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the operating fund of the County and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than from trusts, or for capital projects) that are restricted to expenditure for specific purposes.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
(As Required by Various Statutes)

C. FUND ACCOUNTING – CONTINUED

PROPRIETY FUND TYPES:

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds

These funds account for the financing of services provided by one department or agency to other departments or agencies of the County, nonprofit organizations, or quasi-governmental entities on reimbursement basis. There are no internal service funds at December 31, 2002.

FIDUCIARY FUND TYPES:

Trust and Agency Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the County is acting in an agency capacity are classified as agency funds.

D. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31, of the following year.

2. Estimated Resources

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

3. Appropriations

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

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
(As Required by Various Statutes)**

D. BUDGETARY PROCESS – CONTINUED

4. Encumbrances

The Ohio Revised Code requires the County to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried forward into the subsequent year.

E. PROPERTY, PLANT AND EQUIPMENT

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

F. UNPAID VACATION, PERSONAL AND SICK LEAVE

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

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Memorandum Only” to indicate they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The County maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

Statutes require the classification of money held by the County into three categories:

Category 1 consists of “active” moneys, those moneys required to be kept in a “cash” or “near-cash” status for immediate use by the County. Such moneys must be maintained either as cash in the County’s treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or money market accounts.

Category 2 consists of “inactive” moneys, those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be held in deposits or investments maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” moneys, those moneys which are redeemable within two years from the date of purchase, not to exceed the need of the current period of depositories. Interim moneys may be invested or deposited, pursuant to section 135.14, Revised Code, in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality;

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

2. EQUITY IN POOLED CASH AND INVESTMENTS – CONTINUED

- 3. Interim deposits in the eligible institutions applying for interim moneys as provided in Section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with Section 135.09 of the Revised Code and the treasurer or governing board shall determine that periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made decline to accept the interim deposit in which event the award shall be made as though such institution had not applied for such interim deposit;**
- 4. Bonds and other obligations of the State of Ohio;**
- 5. No-loan 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 mentioned in section 135.03 of the Revised code; and**
- 6. The State Treasurer’s investment pool (STAR Ohio).**
- 7. Certain banker’s acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of the purchase in an amount not to exceed twenty five percent of the interim monies available for investment at any one time.**

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. 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

Deposits: At December 31, 2002, the carrying amount of the County’s deposits was \$4,384,813 and the bank balance was \$5,270,789. Of the bank balance, \$200,000 was covered by federal depository insurance. The remainder of the bank balance is secured by a collateral pool established by the financial institution.

Investments: The County’s investments are categorized below to give an indication of the level of risk assumed by the County at fiscal year end.

Category 1 – Investments that are insured or registered, or securities held by the County or its agent in the County’s name;

Category 2 – Includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the County’s name;

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

2. EQUITY IN POOLED CASH AND INVESTMENTS – CONTINUED

Category 3 – Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County’s name.

The County’s investments at December 31, 2002, consisted of Certificate of Deposits and Star Ohio. The carrying and fair value of these investments were \$2,300,000 and \$3,974,058, respectfully.

3. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002, consisted of the following:

	General Obligation Notes	Special Assessment Bonds	OWDA and OPWC Loans	Bond Anticipation/ Improvement Notes
Principal outstanding	\$ 258,884	\$ 1,400	\$ 4,854,459	\$ 4,571,429
Interest outstanding	25,662	222	351,588	2,477,629
	\$ 284,546	\$ 1,622	\$ 5,206,047	\$ 7,049,058

Outstanding general obligation notes consisted of the following:

Dog Pound Construction Notes – Current balance at 12/31/02 is \$40,000. Originally issued in the amount of \$130,000 on May 31, 1996 at 5.70% with a final maturity date of May 31, 2002.

Cruisers Note – Current balance at 12/31/02 is \$92,000. Originally issued in the amount of \$230,000 at 4.88% maturing in 2004.

MRDD – Current balance at 12/31/02 is \$46,884. Originally issued in the amount of \$127,000 at 5.25% maturing in 2006.

Bank Building Note – Current balance at 12/31/02 is \$80,000. Originally issued 12/15/1999 in the amount of \$200,000 at 8.45% maturing 12/15/2004.

Outstanding special assessment bonds are as follows:

Buckeye Lake Sanitary Sewer Bond – Current balance at 12/31/02 is \$1,400. Originally issued 12/24/86 in the amount of \$6,800 at 6% maturing 11/24/06.

Outstanding OWDA and OPWC loans consisted of the following:

There are Ohio Water Development Authority (OWDA) loans that will be used for the County Water Projects. During 2002 the additions on these loans were \$825,515. Loans will be repaid in accordance with terms established by the OWDA; however, as of December 31, 2002, a debt amortization schedule had not been established for all of the projects. The current balance at 12/31/02 is \$3,380,493.

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

3. DEBT OBLIGATIONS – CONTINUED

OPWC – Project CR812 – Thornport Water – Current balance at 12/31/02 is \$492,315. Originally issued in the amount of \$734,000 on July 1, 1994 at 2% maturing 7/1/2015.

OWDA - Current balance at 12/31/02 is \$653,313. Originally issued in the amount of \$835,541 at 5.76% maturing in 2013.

OPWC – Project CR 17B/CR 18B – Current balance at 12/31/02 is \$328,338. Originally issued in the amount of \$375,605 at 2% maturing in 2020.

Outstanding bond anticipation/improvement notes consisted of the following:

Northern Perry County Water Project – Current balance at 12/31/02 is \$1,438,555. Originally issued in the amount of \$1,487,605 on April 1, 2001 at 3.6% - 5.1%. The note matures in 2021.

911 Emergency System – Current balance at 12/31/02 is \$171,429. Originally issued in the amount of \$400,000 on July 1, 1998 at 5.5% with a final maturity date of July 1, 2005.

Human Services Building Acquisition and Improvement Note – Current balance at 12/31/02 is \$2,961,445. Originally issued in the amount of \$3,062,395 at 3.6% - 5.1%. The notes matures in 2021.

The annual requirement to amortize all debt outstanding as of December 31, 2002 include interest payments of \$2,857,544, is as follows:

Year Ending December 31	General Obligation Notes	Special Assessment Bonds	OWDA and OPWC Loans	Bond Anticipation/ Improvement Notes
2003	\$ 128,738	\$ 384	\$ 3,532,766	\$ 428,716
2004	123,129	366	152,273	424,839
2005	31,319	448	152,273	420,616
2006	1,360	424	152,273	358,895
2007	-	-	152,273	362,095
Thereafter	-	-	1,064,189	5,053,897
	<u>\$ 284,546</u>	<u>\$ 1,622</u>	<u>\$ 5,206,047</u>	<u>\$ 7,049,058</u>

4. PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

4. PROPERTY TAXES - CONTINUED

The full tax rate applied to real property for calendar year 2001 was \$15.60 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$12.60 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$13.79 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 2001 was \$15.60 per \$1,000 of assess valuation.

The assessed values upon which fiscal year 2002 taxes were collected are:

Real Property - 2001 Valuation	
Residential/agriculture	\$ 247,492,380
Commercial/industrial	34,016,510
Other real property	507,660
Tangible Personal Property - 2001 Valuation	
General	37,787,630
Public utilities	<u>24,071,361</u>
TOTAL VALUATION	<u><u>\$ 343,875,541</u></u>

The Perry County Treasurer collects property taxes on behalf of all taxing districts within the County. The Perry County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

5. INSURANCE

The County maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

6. RETIREMENT SYSTEMS

The County's full-time employees belong to the Public Employees Retirement System (PERS). PERS is a cost-sharing, multiple-employer plan providing retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. As of December 31, 2002, the County's Deputy Sheriffs contributed 10.1% of their wages to the fund, while the County Contributed 16.7%. With the exception of the certified teaching personnel employed by the Mental Retardation and Developmental Disabilities Board, all other County employees contributed 8.5% of their gross wages to the fund, while the County contributed 13.55% of its employees gross wages.

**PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002**

7. POOLS

A. COUNTY RISK SHARING AUTHORITY, INC. (CORSA)

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 coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' errors and omissions liability insurance.

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

B. COUNTY COMMISSIONERS ASSOCIATION OF OHIO WORKERS' COMPENSATION GROUP RATING PLAN

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at the meeting held in the month of December each year. No participant can have more than member of the group executive committee in any year, and each elected members shall be a County Commissioner.

8. CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2002

8. CONTINGENT LIABILITIES – CONTINUED

Pending or threatened litigation:

Savage vs. Perry County, et al. – Pending federal civil rights case for false imprisonment. The complainant asked for damages of \$250,000. The case is at the discovery stage. The case likely will settle, with any of the county's potential monetary settlement payable through the county's liability insurance.

Perry County Board of County Commissioners vs. Fraternal Order of Police, Ohio Labor Council, Inc. – This is an action to vacate an Arbitration award in favor of the FOP, which called for reinstatement of laid off deputies along with back pay and benefits. The County has appealed the award. The potential monetary liability to the General Fund has not been determined at this time, but could be material and substantial in this case.

Hali R. McKee, et al. vs. Shawnee Builders, et al. – This case involves an accident and injury occurring on a county road. The County Commissioners in the person of Larry Householder were sued alleging negligent maintenance of county road and guardrail. Because other insurance carriers are involved the liability to the county and likelihood of recovery is small. The case is in the discovery stage.

Sally M. Custer, et al. vs. Monica A. Hammond, et al. – This case involves an automobile accident in which it is alleged that the accident was caused in part by a disabled county vehicle along the road. Again, the county's self-insurance plan, CORSA, as well as private carriers are involved in the litigation. The county's monetary liability appears to be limited. The case is in the discovery stage.

McCall vs. Perry County Commissioners, et al. – This is an action alleging violations of ERISA in the county's medical benefits plan. Originally filed in federal court, the case was remanded to state court, in part because the parties agreed that ERISA did not apply to the county's benefit plan. This case may be settled or dismissed with little or no monetary liability to the county.

9. LEGAL COMPLIANCE

Pursuant to Section 117.11 of the Revised Code, the Independent Public Accountant performed tests of compliance with various provisions of local, state, and/or federal laws, as appropriate. The results of this work which may affect the financial statements are included in a separate part of this report.

10. LEASE AGREEMENT

On January 30, 2003, Jobs and Family Services entered into a 20-year lease agreement with Perry County Board of Commissioners for the right to use the facilities, entrances, hallways, and sidewalks located with the building. The monthly charge will be \$14,052. The lease agreement is retroactive beginning April 1, 2002 and ending June 30, 2022.

The Perry County Board of Commissioners also entered into a four (4) year lease agreement with Broadway Ohio, LLC, as follows:

The Deputy Registrar is new to the County and has entered into a lease agreement for the right to use the building. The annual charge will be \$55,200, payable in equal monthly installments of \$4,600. The lease agreement is beginning May 3, 2002 and ending May 3, 2006. Perry County also agrees to pay the real estate taxes and assessments due and payable in the year 2003. The County will have the option to purchase the leased property at the expiration term for \$40,000.

**PERRY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass through State Department of Education			
Commodities	10.550	N	1,389
National School Lunch Program - Group Home (Cluster)	10.555	N	9,950
TOTAL DEPARTMENT OF AGRICULTURE			11,339
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass through Ohio Department of Development			
Community Development Block Grant	14.228	N	478,221
<u>RETIRED AND SENIOR VOLUNTEER PROGRAM</u>			
Direct Program:			
Retired Senior Volunteer Program	94.002	N	38,312
O.D.A. Grant	83.552		7,016
TOTAL RETIRED AND SENIOR VOLUNTEER PROGRAM			45,328
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Pass through the Ohio Emergency Management Agency			
Emergency Management Performance Grants	83.552	N	1,864
Federal Emergency Management Agency state and local Assistance Program	83.562		22,915
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			24,779
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass through the Ohio Department of Transportation			
Highway Planning and Construction	20.205	N	1,988,642
Public Transportation for Nonurbanized Areas	20.509		334,566
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,323,208
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass through the Governor's Office of Criminal Justice Services			
Bulletproof Vest Partnership Program	16.607	N	3,926
Local Law Enforcement Block Grants Program	16.592	N	23,131
TOTAL U.S. DEPARTMENT OF JUSTICE			27,057

See Independent Auditors' Report

PERRY COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>State Pass Through Number</u>	<u>Expenditures</u>
<u>U.S. FOREST SERVICE</u>			
Pass through the Department of Agriculture			
Wayne National Forest	10.064		1,760
National Forest - Dependent Rural Communities	10.670	N	27,453
			29,213
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass through the Ohio Department of Aging and the Buckeye Lake - Hocking Valley Regional Development District			
HMG Part C	84.181	N	63,591
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
Direct Program			
Americorps	94.006	N	10,517
<u>U.S. DEPARTMENT OF LABOR EMPLOYMENT AND TRAINING ADMINISTRATION</u>			
Pass through State Department of Employment and Training			
Workforce Investment Act Cluster			
Workforce Investment Act - Adult	17.258	N	226,093
Workforce Investment Act - Adult Administrative			12,869
Workforce Investment Act - Adult Total			238,962
WIA Youth Activities			
Workforce Investment Act - Youth	17.259	N	263,651
Workforce Investment Act - Youth Administrative			18,621
Workforce Investment Act - Youth Total			282,272
WIA Dislocated Workers			
Workforce Investment Act - Dislocated Worker	17.260	N	96,813
Workforce Investment Act - Dislocated Worker Administrative			16,665
Workforce Investment Act - Dislocated Worker Total			113,478
Total WIA Cluster			634,712
TOTAL FEDERAL AWARDS			\$ 3,647,965

N - State pass through entity number could not be located by Perry County.

See Independent Auditors' Report

**PERRY COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2002, the County has no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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



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

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

We have audited the financial statements of Perry County, Ohio (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003, wherein we note the County did not adopt accounting principles generally accepted in the United States of America, which these principles are required by the Ohio Administrative Code. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2002-3075-001 through 2002-3075-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated May 16, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted reportable conditions as items 2002-3075-009 through 2002-3075-012 and 2002-3075-009, 010 and 012 are considered material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in the report, that we have reported to management of the County in a separate letter dated May 16, 2003.

This report is intended for the information and use of management, the Board of Commissioners, and 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.

**Jones, Cochenour & Co.
May 16, 2003**



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

Board of Commissioners
Perry County
105 North Main Street
New Lexington, OH 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 is applicable to its major federal program for the year ended December 31, 2002. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that is applicable to its major federal program for the year ended December 31, 2002.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Commissioners, and 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.

**Jones, Cochenour & Co.
May 16, 2003**

PERRY COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR 1-133 §.505
 DECEMBER 31, 2002

1. SUMMARY OF AUDITORS' RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction CFDA #20.205 CFDA #20.509 WIA Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2002-3075-001
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Ohio Rev. Code Section 9.38 requires that public money be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. During our audit we noted that in some instances, money collected was not submitted to the treasurer's office or to a designated depository on the business day following the day of receipt. The following departments were in violation of this section:

Juvenile Court	Engineer
Auditor	Recorder

We recommend that these departments improve their submissions of public money to the treasurer's office or to a designated depository on the business day following the day of receipt.

PERRY COUNTY
 SCHEDULE OF FINDINGS – CONTINUED
 OMB CIRCULAR 1-133 §.505
 DECEMBER 31, 2002

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
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Finding Number	2002-3075-002
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Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated revenue. The total appropriation from each fund shall not exceed the total certified resources. The county had the following funds where total appropriations exceeded the total certified resources:

<u>Fund</u>	<u>Certified Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue	18,832,635	21,483,358	(2,650,723)
Debt Service	647,850	684,412	(36,562)

We recommend that appropriations and estimated revenue be closely monitored in the future to assure the county is in compliance with ORC 5705.39.

Finding Number	2002-3075-003
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Ohio Rev. Code Section 5705.36 states that subdivisions can request increased and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of deficiency will reduce available resources below the current level of appropriation. The county had the following where actual receipts were below the current level of appropriations:

<u>Fund</u>	<u>Actual Receipts</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	5,280,969	5,485,186	(204,217)
Special Revenue	18,816,204	21,483,358	(2,667,154)
Debt Service	563,343	684,412	(121,069)

We recommend that the County request an increased or reduced amended certificate of estimated resources in the future, when it is determined by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Finding Number	2002-3075-004
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Ohio Admin. Code Section 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, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The County can be fined and various other remedies may be taken against the County. We recommend that the County prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America.

PERRY COUNTY
 SCHEDULE OF FINDINGS – CONTINUED
 OMB CIRCULAR 1-133 §.505
 DECEMBER 31, 2002

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
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Finding Number	2002-3075-005
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Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provision of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. It was not possible to determine whether amended appropriations were made in compliance with this section, since it appears that not all amended appropriations were approved by the commissioners. Therefore, since it appears that appropriations were not properly recorded, it was difficult to decipher appropriated balances. We recommend that the County closely monitor this activity in the future and develop a reconciliation method that ties to the current computer software being utilized.

Finding Number	2002-3075-006
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Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. During our audit we noted that a negative variance existed in the following funds at year end after encumbrances:

<u>Fund</u>	<u>Name</u>	<u>Variance</u>
055	Community Development	(137,811)
356	Multi-County Juvenile	(4,117)
313	OWDA Loan Buckeye Lake	(612,221)

We strongly recommend that the County take steps to ensure compliance with this section of the Ohio Revised Code.

Finding Number	2002-3075-007
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Ohio Rev. Code Section 319.04 mandates county auditors to complete at least 16 hours of continuing education courses during the first year of the auditor’s term, and at least eight more hours by the end of the term. The County Auditor shall include at least two hours of ethics and substance abuse training courses in the total twenty-four hours of required courses. The County Auditor failed to meet the mandated training. For the new term, we recommend that when planning the continuing education training the County Auditor include at least two hours of ethics and substance abuse courses as required. We recommend that this is closely monitored in the future.

Finding Number	2002-3075-008
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The county had several funds where no amended appropriations could be produced. The total amended appropriations do not reconcile to the Cash Report submitted to the Auditor of State. As a result of the Ohio Rev. Code Section 5705.40, it appears that not all amended certificates are presented to the Commissioners and that expenditures exceeds appropriations. Furthermore, Amended Appropriations are presented to the commissioners on an as needed basis with no reconciliation to the ending balance. Therefore updates and adjustments are not properly posted. We strongly recommend that the Commissioners approve all amended appropriations and that a reconciling spreadsheet is maintained.

PERRY COUNTY
 SCHEDULE OF FINDINGS – CONTINUED
 OMB CIRCULAR 1-133 §.505
 DECEMBER 31, 2002

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED	
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Finding Number	2002-3075-009
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REPORTABLE CONDITION/MATERIAL WEAKNESS: FINANCIAL REPORTS/BUDGETARY

In reviewing the County’s financial report submitted to the state to the ledgers, we noted the following inconsistencies:

- The transfers and advances in and out did not agree in total.
- The debt activity did not begin with the ending balance from the previous year and it was difficult to locate the principal and interest payments as noted on the schedule due to the fact that different funds are used each year for the payments.
- There are funds that are in the wrong fund classification.
- The budgetary estimated receipts and appropriations did not agree to the County’s general ledger and we used the amounts submitted to the state to prepare the financial statements.

In regards to the budgetary it was noted during our testing that controls over the budgetary software for the County are not in place. The County does not utilize the current software general ledger to monitor variances that occur throughout the year. We were unable to use the budgetary amounts in the general ledger to tie to the report submitted to the state. We recommend that the County institute control, whereby, the County utilizes and updates the computerized reports as estimated revenues and appropriations are modified during the year. The ending balances in these reports must agree to the final adjusted appropriations and the final estimated resources. The continuous updating of the system will allow the variances to be properly monitored throughout the year. We recommend that the County utilize the software program to its fullest extent and these ledgers be used to prepare the report submitted to the state.

Finding Number	2002-3075-010
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REPORTABLE CONDITION/MATERIAL WEAKNESS: SAFEGUARDING OF DEPARTMENT ASSETS – JUVENILE COURT

We noted that during the past year, bank reconciliations were not prepared and maintained for two bank accounts in the Juvenile Court. We strongly recommend that reconciliations be prepared and agreed to the general ledger balance. They should also be reviewed for accuracy and completeness by a person other than the preparer. The preparation of monthly bank reconciliations is key to maintaining adequate control over both cash receipts and disbursements. It is recommended that this be more closely monitored in the future.

Finding Number	2002-3075-011
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REPORTABLE CONDITION: SCHEDULE OF FEDERAL AWARDS

The current software system being used by the County is not being utilized to separate types of funding (i.e., local taxes, state funding, federal funding, etc.). This is making the job of compiling the Schedule of Federal Expenditures by the County Auditor and the County Commissioners for the auditors and a complicated and time-consuming process. We recommend that a new software system and better tracking mechanism be explored.

PERRY COUNTY
SCHEDULE OF FINDINGS – CONTINUED
OMB CIRCULAR 1-133 §.505
DECEMBER 31, 2002

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

Finding Number	2002-3075-012
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REPORTABLE CONDITION/MATERIAL WEAKNESS: SEGREGATION OF DUTIES

During our audit of the Departments, it has been noted that the procedures used to complete a transaction are under the control of one person. Considering the small size of the staff, total segregation may not be cost effective. However, segregation of duties should be implemented when possible as well as practical. With continuous monitoring, the following procedures are suggested:

1. Bank reconciliations should be performed by an employee independent of cash record keeping.
2. All disbursements should be approved for payment.
3. Checks should be mailed by the authorized check signer and not returned to the preparer to be mailed.

3. FINDINGS FOR FEDERAL AWARDS

None.

**PERRY COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> – Explain:
2001-3075-001	ORC 9.38	No	Not Corrected.
2001-3075-002	ORC 5705.39	No	Not Corrected.
2001-3075-003	ORC 5705.36	No	Not Corrected.
2001-3075-004	ORC 117-2-03(B)	No	Not Corrected.
2001-3075-005	ORC 117.58	Yes	N/A.
2001-3075-006	ORC 319.11	No	Not Corrected.
2001-3075-007	ORC 5705.91(D)	No	Not Corrected.
2001-3075-008	ORC 319.16	No	Not Corrected.
2001-3075-009	ORC 5705.10	No	Not Corrected.
2001-3075-010	ORC 5708.38	No	Not Corrected.
2001-3075-011	ORC 1970.20	Yes	N/A
2001-3075-012	Schedule of Federal Awards	Partially	Not Fully Corrected.
2001-3075-013	Financial Reports/Budgeting	No	Not Corrected.
2001-3075-014	Juvenile Court	No	Not Corrected.



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PERRY COUNTY 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
OCTOBER 2, 2003**