



**Auditor of State
Betty Montgomery**

PERRY COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash, Cash Equivalents and Fund Cash Balances - All Fund Types	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types	7
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types	9
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - All Budgeted Fund Types	10
Notes to the Financial Statements	13
Schedule of Federal Awards Expenditures	31
Notes to the Schedule of Federal Awards Expenditures.....	33
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	35
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	37
Schedule of Findings - <i>OMB Circular A-133 §.505</i>	39
Corrective Action Plan - <i>OMB Circular A-133 §.315(c)</i>	47
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i>	48

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the Board of County Commissioners:

We have audited the accompanying financial statements of Perry County, Ohio (the County), as of and for the year ended December 31, 2003. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 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.

The basis of accounting prescribed by the Auditor of State requires the County to report outstanding encumbrances at year end as budgetary expenditures in the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority. As more fully explained in Note 2(A) to the financial statements, the encumbrances recorded by the County were not based on accurate estimates of outstanding purchase commitments at year end. It was not practical for us to determine those amounts which should have been reported as beginning carryover appropriations and as encumbrances outstanding at December 31, 2003 on the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority.

In our opinion, except for such adjustments, if any, that would have been necessary had we been able to determine valid purchase commitments reported as beginning carryover appropriations and as encumbrances outstanding at December 31, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash, cash equivalents and combined fund cash balances of Perry County, Ohio, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended in conformity with the basis of accounting Note 1 describes.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004, 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.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

December 16, 2004

PERRY COUNTY

COMBINED STATEMENT OF CASH, CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF DECEMBER 31, 2003

Cash and Cash Equivalents \$ 8,415,630

CASH BALANCES BY FUND TYPE

Governmental Funds:

General Fund	\$ 620,626
Special Revenue Funds	4,545,769
Debt Service Funds	90,091
Capital Projects Funds	809,482

Proprietary Funds:

Enterprise Funds	161,883
Internal Service Funds	184,431

Fiduciary Funds:

Expendable Trust Funds	1,387
Agency Funds	<u>2,001,961</u>

Total \$ 8,415,630

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

This page intentionally left blank.

PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
Cash Receipts:						
Taxes	\$ 1,216,345	\$ 2,706,821	\$150,000	\$	\$	\$ 4,073,166
Charges for Services	1,142,393	1,142,371	354,363	128,500		2,767,627
Licenses and Permits	3,741	247,966				251,707
Fines and Forfeitures	135,685	36,358				172,043
Intergovernmental	2,426,132	13,901,011		2,260,491		18,587,634
All Other Receipts	210,236	622,538		200		832,974
Total Cash Receipts	5,134,532	18,657,065	504,363	2,389,191	0	26,685,151
Cash Disbursements:						
General Government:						
Executive and Legislative	1,315,452	637,270		95,869		2,048,591
Judicial	1,124,537	200,304				1,324,841
Public Safety	1,514,420	1,554,512				3,068,932
Public Works	8,545	3,485,351				3,493,896
Health	35,671	2,858,044				2,893,715
Human Services	245,407	9,286,742				9,532,149
Conservation-Recreation	175,329	-				175,329
Miscellaneous	459,167	12,420	16,574	4,000		492,161
Capital Outlay	80,000	847,004		4,052,240		4,979,244
Debt Service:						
Principal Payment	87,463	86,757	211,693	200,000		585,913
Interest and Fiscal Charges	34,926	14,215	220,332	141,986		411,459
Total Cash Disbursements	5,080,917	18,982,619	448,599	4,494,095	0	29,006,230
Excess of Cash Receipts Over/ (Under) Cash Disbursements	53,615	(325,554)	55,764	(2,104,904)	0	(2,321,079)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes				2,146,258		2,146,258
Operating Transfers-In	102,474	144,000	5,875	200,000		452,349
Operating Transfers-Out	(44,000)	(300,000)		(5,875)		(349,875)
Operating Advances-In		20,872	91,870	4,599		117,341
Operating Advances-Out	(107,878)	(17,700)	(100,344)	(2,130)		(228,052)
Other Financing Sources		247,028				247,028
Other Financing Uses		(352,583)				(352,583)
Total Other Financing Receipts/(Disbursements)	(49,404)	(258,383)	(2,599)	2,342,852	0	2,032,466
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing (Disbursements)	4,211	(583,937)	53,165	237,948	0	(288,613)
Fund Cash Balances, January 1	616,415	5,129,706	36,926	571,534	1,387	6,355,968
Fund Cash Balances, December 31	\$ 620,626	\$ 4,545,769	\$ 90,091	\$ 809,482	\$ 1,387	\$ 6,067,355

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

This page intentionally left blank.

PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types		Fiduciary	Totals
	Enterprise	Internal Service	Fund Type Agency	(Memorandum) Only
Operating Cash Receipts:				
Charges for Services	\$ 459,150	\$ 2,745,687	\$	\$ 3,204,837
Total Operating Cash Receipts	459,150	2,745,687	0	3,204,837
Operating Cash Disbursements:				
Personal Services - Salaries	109,693			109,693
Contract Services	191,148	176,299		367,447
Claims and Judgements		2,362,438		2,362,438
Supplies and Materials	41,821			41,821
Purchased Services		354,761		354,761
Total Operating Cash Disbursements	342,662	2,893,498	0	3,236,160
Operating Income/(Loss)	116,488	(147,811)	0	(31,323)
Nonoperating Cash Receipts/(Disbursements):				
Debt Service	(102,171)			(102,171)
Other Nonoperating Receipts	160	199,855	25,375,734	25,575,749
Other Nonoperating Disbursements			(25,114,108)	(25,114,108)
Total Nonoperating Cash Receipts/ (Disbursements)	(102,011)	199,855	261,626	359,470
Income Before Operating Transfers	14,477	52,044	261,626	328,147
Operating Transfers In			65,297	65,297
Operating Transfers Out			(65,297)	(65,297)
Advances In - Not Repaid			8,237	8,237
Net Income/(Loss)	14,477	52,044	269,863	336,384
Fund Cash Balances, January 1	147,406	132,387	1,732,098	2,011,891
Fund Cash Balances, December 31	\$ 161,883	\$ 184,431	\$ 2,001,961	\$ 2,348,275

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

This page intentionally left blank.

PERRY COUNTY

COMBINED STATEMENT OF RECEIPTS
 BUDGET AND ACTUAL
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental			
General	\$4,998,172	\$5,237,006	\$238,834
Special Revenue	19,050,732	19,048,093	(2,639)
Debt Service	602,108	510,238	(91,870)
Capital Projects	4,255,067	4,735,449	480,382
Proprietary			
Enterprise	459,310	459,310	0
Internal Service	192,973	2,945,542	2,752,569
Totals (Memorandum Only)	<u>\$29,558,362</u>	<u>\$32,935,638</u>	<u>\$3,377,276</u>

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

PERRY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
 COMPARED WITH EXPENDITURE AUTHORITY
 ALL BUDGETED FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
Governmental			
General	\$ 174,340	\$ 5,229,899	\$ 5,404,239
Special Revenue	1,442,670	20,966,373	22,409,043
Debt Service	3,755	479,366	483,121
Capital Projects	836,665	3,911,919	4,748,584
Proprietary			
Enterprise	20,305	469,149	489,454
Internal Service		176,299	176,299
Fiduciary			
Expendable Trust		1,387	1,387
Totals (Memorandum Only)	\$ 2,477,735	\$ 31,234,392	\$ 33,712,127

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

<u>Disbursements</u>	<u>Encumbrances Outstanding 12/31/2003</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 5,124,917	\$ 168,943	\$ 5,293,860	\$ 110,379
19,635,202	1,044,153	20,679,355	1,729,688
448,599	1,573	450,172	32,949
4,499,970	31,131	4,531,101	217,483
444,833	31,954	476,787	12,667
2,893,498		2,893,498	(2,717,199)
			1,387
<u>\$ 33,047,019</u>	<u>\$ 1,277,754</u>	<u>\$ 34,324,773</u>	<u>\$ (612,646)</u>

This page intentionally left blank.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

Perry County (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 operates under the direction of a three-member elected Board of County Commissioners. The County Auditor is responsible for the fiscal controls of the resources of the County which are maintained in the funds described below. The County Treasurer is the custodian of funds and the investment officer. All of these officials are elected. Services provided by the County include general government, public safety, public works, health, human services and administration of justice.

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.

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 Children Services Board, the Board of Mental Retardation and Developmental Disabilities, Emergency Management Agency, and other departments and activities operated by the elected County officials.

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 program's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can 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. Component units may also include organizations for which the County approves the budget, the levying of taxes, or the issuance of debt.

The component unit column in the combined financial statements includes the financial data of the County's component unit, PERCO, Inc. It is discretely reported to emphasize that it is legally separate from the County.

Component Units

- ❖ PERCO, Inc.(PERCO), is a legally separate, not-for-profit corporation, served by a self-appointing Board of Trustees. PERCO is under a contractual agreement with the Perry County Board of Mental Retardation and Developmental Disabilities (MRDD) to provide sheltered employment for mentally retarded or handicapped adults in the County. MRDD provides PERCO with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of PERCO. Based on the significant services and resources provided by the County to PERCO and the sole purpose of PERCO being to provide assistance to the retarded and handicapped adults of the County, PERCO is considered to be a component unit of Perry County. Additional information, including audited financial statements, can be obtained from the PERCO fiscal officer.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Description of the Reporting Entity (Continued)

The following potential component units have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuing of debt, or the levying of taxes:

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

Separate Agencies

As the 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 listed below, the County serves as fiscal agent but is not financially accountable for their operations. Accordingly, the activity of the following agencies is presented as agency funds within the County's financial statements:

- ❖ The Perry County General Health District, Perry County, Ohio is a general health district as defined by Ohio Rev. Code 3709.07. The District is directed by an appointed five-member Board and a Health Commissioner. The board adopts its own budget, hire and fires its own staff, and operates autonomously from the County. Funding is based on a rate per taxable valuation, along with various state grants applied for by the District.
- ❖ The Perry County Soil and Water Conservation District is statutorily created as a separate and distinct political subdivision within the State. The five supervisors of the Conservation District are elected officials authorized to contract and sue on behalf of the Conservation District. The supervisors adopt their own budget, authorize Conservation District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

The County is associated with the following organization which is defined as a joint venture by GASB Statement 14:

- ❖ 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 withdrawal, upon the recommendation of the County Juvenile Court Judge, it may sell or lease its interest in the System to another participating county.

The County participates in the following organizations which are defined as jointly governed organizations. Additional financial information concerning the jointly governed organizations is discussed in Note 8.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Description of the Reporting Entity (Continued)

Perry County Family and Children First Council
Tri-County Workforce Development Policy Board

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The 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. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, as well as being invested in 31 day certificates of deposit and in the State Treasury Asset Reserve (STAROhio). Individual fund integrity is maintained through the County's records.

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

1. Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the County. It 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 proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to disbursements for specified purposes.

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. Governmental Fund Types (Continued):

Debt Service Funds

These funds are used to accumulate resources for the payment of bond and note indebtedness.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary 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 are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other government units, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Trust and Agency Funds

These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Agency Funds.

E. Budgetary Process

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.

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (continued)

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Property, Plant and Equipment

Fixed assets acquired or constructed for the County are recorded as disbursements. Depreciation is not recorded for these fixed assets.

G. Accumulated Unpaid Vacation and Sick 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 basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only 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. The County's component unit, PERCO, Inc., prepares its financial statements on the basis of accounting which is similar to the cash receipts and disbursements basis of accounting. PERCO's audited financial statements are presented separately.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. ACCOUNTABILITY AND COMPLIANCE

- A.** A significant portion of year end encumbered appropriations were not supported by valid outstanding purchase commitments and were cancelled in the subsequent year. This resulted in overstating prior year carryover appropriations and December 31, 2003 year end encumbrances on the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority. In other instances where valid outstanding purchase commitments did exist, funds had not been encumbered, contrary to Ohio budgetary law. It was not practical to determine the extent of valid outstanding purchase commitments at January 1, and December 31, 2003.
- B.** The following additional budgetary law violations were noted:

Total appropriations exceeded total estimated resources in the following funds and amounts:

Fund	Amount
Auto License and Gas Tax	\$480,517
OWDA Loan Buckeye Lake	\$442,194
Public Assistance	\$15,060
Litter Control Grant	\$229
Title VI-D Child Support	\$16,954
Drop off/Recycling Program	\$6,033
Perry County Transit System	\$1,969
Sheriff's Litter Grant	\$583
Community Development Block Grant	\$2,292
Multi-County Juvenile Facility	\$3,392

Total expenditures exceeded total appropriations in the following funds and amounts:

Fund	Amount
Joint County Health Plan	\$2,717,199
Early Start MRDD	\$349,638

Negative fund balances existed in the following funds and ranges during 2003:

Fund	From	To
General	(\$93,318)	(\$295,713)
Perry County Self Insurance	(\$102,771)	(\$102,771)
Clerk of Courts Computer	(\$1,652)	(\$3,047)
County Court Computerization	(\$2,027)	(\$5,4377)
Bank Building	(\$55,634)	(\$70,000)
Building, Water & Airport Bond Retirement	(\$25,873)	(\$25,873)
Perry County Senior Center	(\$15,029)	(\$61,119)
Joint County Health Plan	(\$14,542)	(\$151,363)
OWDA Loan Buckeye Lake	(\$5,894)	(\$5,894)
Multi-County Juvenile Facility	(\$12,661)	(\$34,669)

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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. The County maintains a cash pool which is used by all funds. Each fund type's portion of this pool is displayed on the Combined Statement of Cash, Cash Equivalents and Fund Cash Balances as "Cash Balances by Fund Type".

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

- A. 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;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the 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;
- C. Written purchase 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;
- D. Bonds and other obligations of the State of Ohio;
- E. 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,
- F. The State Treasurer's investment pool (STAROhio);
- G. Certain Bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- H. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

3. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)

The County maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2003 was as follows:

Demand deposits	\$2,295,855
Certificates of deposit	<u>2,100,000</u>
Total deposits	4,395,855
STAROhio	<u>4,019,775</u>
Total investments	4,019,775
Total deposits and investments	<u><u>\$8,415,630</u></u>

Deposits: At year-end, the bank balance was \$4,902,729. Of the bank balance:

- A. \$247,928 was covered by federal depository insurance;
- B. \$4,654,801 was covered by pooled collateral pledged to secure all public funds on deposit. Although all Ohio statutory requirements for the collateralization of deposits had been followed, noncompliance with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount;

Investments: Investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

This space intentionally left blank.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEBT

The changes in the County's long term obligations during the year consisted of the following:

General Obligation Bonds:	Outstanding 12/31/2002	Additions	Reductions	Outstanding 12/31/2003
911 System Acquisition Bond - 5.75%	\$171,428	\$0	\$57,143	\$114,285
Safety Equipment Acquisition Bonds - 4.88%	91,938	0	45,969	45,969
County Building Acquisition Bonds - 8.45%	80,000	0	40,000	40,000
Building Improvement Bonds - 4.97%	46,884	0	14,614	32,270
Various Purpose Improvement Bonds - 3.6% - 5.10%	4,400,000	0	155,000	4,245,000
Dog Pound Bonds - 5.10%	55,000	0	15,000	40,000
Total General Obligation Bonds	4,845,250	0	327,726	4,517,524
Special Assessment Bonds:				
Buckeye Lake Special Assessment Bonds - 6%	1,400	0	300	1,100
Enterprise Fund Obligations:				
Ohio Public Works Commission Notes:				
Thornport Water Project Note - 2%	492,315	0	35,037	457,278
Waterline Extension Project Note - 2%	328,338	0	16,393	311,945
Water System Improvements Project Note - 2%	0	21,362	0	21,362
Sanitary Sewer Improvements II Project Note - 2%	0	236,555	0	236,555
Total Ohio Public Works Commission Notes	820,653	257,917	51,430	1,027,140
Ohio Water Development Authority Notes:				
Buckeye Lake Water Lines Note - 5.76%	653,313	0	47,055	606,258
Water Line Construction Note - 6.41%	109,135	0	2,601	106,534
Robinwood Estates Sewer Improvements Note - 6.03%	59,049	0	1,237	57,812
Crown Werhle WWTP Improvements Note - 6.03%	30,661	0	1,296	29,365
Water Meter Installation Note - 1.5%	286,759	0	6,948	279,811
Water Design Note - 5.55%	1,095,293	130,765	0	1,226,058
Wastewater Design Note - 5.55%	1,522,857	201,362	200,000	1,524,219
Ceramic Road Area Sewers Note	185,972	558,299	10,693	733,578
Northern Perry County Sewers Phase I Note - 1%	0	984,360	0	984,360
Wastewater Planning Note - 5.51%	0	401	0	401
Total Ohio Water Development Authority Notes	3,943,039	1,875,187	269,830	5,548,396
Total Enterprise Fund Obligations	4,763,692	2,133,104	321,260	6,575,536
Total Long Term Obligations	\$9,610,342	\$2,133,104	\$649,286	\$11,094,160

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

4. DEBT (Continued)

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

The Safety Equipment Acquisition Bonds were originally issued in 1999 in the amount of \$230,000 for the purpose of financing the acquisition and equipping of eight motor vehicles for use by the Perry County Sheriff's Department. These general obligation bonds are to be repaid in annual installments of \$46,000, including interest, over five years.

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

The County Building Acquisition Bonds were issued in 1999 in the amount of \$200,000 for the purpose of acquiring certain real estate and improving the building thereon to provide facilities for county offices and functions. These general obligation bonds are to be repaid in annual installments of \$40,000, including interest, over five years.

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

The 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:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
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:

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

The Dog Pound Bonds were originally issued in 2001 in the amount of \$55,000 for the purpose of financing the cost of constructing a dog pound. These general obligation bonds are to be repaid in annual installments of \$15,000 over three years and a final payment of \$10,000, including interest.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEBT (Continued)

The Buckeye Lake Special Assessment Bonds were originally issued in 1986 in the amount of \$44,000 for the purpose of financing the cost of acquiring and constructing sewerage and sewage disposal improvements in the Buckeye Lake area. These bonds are to be retired through a tax levy with annual payments of either \$300 or \$400, including interest, over twenty years.

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

The Ohio Public Works Commission (OPWC) Perry County Waterline Extension Project Note was originally issued in 1999 in the amount of \$375,605 to finance the cost of extending water lines. This loan is to be repaid in semi-annual installments of \$11,439, including interest, over twenty years. This loan is collateralized by utility receipts. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Water System Improvement Project Note was issued in 2002 for the purpose of financing improvements to the water system. OPWC has authorized up to \$300,000 for the project; however, only \$21,362 had been drawn down as of December 31, 2003. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Sanitary Sewer Improvements II Project Note was issued in 2002 for the purpose of financing improvements to the sewer system. OPWC has authorized up to \$300,000 in loans to the County for this project. As of December 31, 2003, \$236,555 had been drawn down. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Water Development Authority (OWDA) Buckeye Lake Water Lines Note relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$42,343 over twenty years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Water Line Construction Note relates to the extension of water lines of the water system. This loan will be repaid in annual installments of \$10,260, including interest, over twenty five years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 over twenty five years. 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 \$5,005 over twenty five years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Water Meter Installation Note relates to a loan to install water meters in the Northern Perry County Water District. This loan will be paid in semiannual installments of \$6,138 over thirty years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

4. DEBT (Continued)

The Ohio Water Development Authority (OWDA) Water Design Note relates to an engineering design loan for the Northern Perry County Wastewater System. The OWDA has approved up to \$1,525,000 in loans to the County for this project. As of December 31, 2003, the County had drawn down \$1,226,058 and no principal or interest payments were made during 2003. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Design Loan relates to a project for the completion of the engineering design for the Northern Perry County Water System and consolidation of all outstanding planning loans with the Northern Perry County Water System. \$201,362 was drawn down and a \$200,000 principal payment was made during 2003. This loan will be repaid over five years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Ceramic Road Area Sewers Note relates to a project to construct a conventional gravity collection system and sewage treatment plant in the Ceramic Road area. This loan will be repaid in annual installments of \$14,423 over thirty years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Northern Perry County Sewers Phase I Note relates to the construction of collection sewers to serve the northern part of the County surrounding Thornport. OWDA has approved up to \$1,136,495 in loans to the County for this project. As of December 31, 2003, the County had drawn down \$984,360 and no principal or interest payments were made during 2003. This loan will be repaid over 30 years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Planning Note relates to a planning loan for the Northern Perry County Sewer District. OWDA has approved up to \$102,000 in loans to the County for this project. As of December 31, 2003, the County had drawn down \$401 and no principal or interest payments were made during 2003.

The OWDA notes listed above, except for the Buckeye Lake Water Lines, Robinwood Estates Sewer Improvements, and Water Meter Installation notes, 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 :

	General Obligation Notes	Special Assessment Bonds	OWDA Notes	OPWC Notes
Year ending December 31:				
2004	\$505,677	\$366	\$101,740	\$67,587
2005	447,445	448	101,740	67,587
2006	360,255	424	101,740	67,587
2007	362,095	0	101,740	67,587
2008	359,715	0	101,740	67,587
2009 - 2013	1,806,330	0	466,358	337,937
2014 - 2018	1,806,108	0	85,274	181,456
2019 - 2023	1,081,745	0	85,274	22,879
2024 - 2028	0	0	70,935	0
2029 - 2031	0	0	36,826	0
Total	<u>\$6,729,370</u>	<u>\$1,238</u>	<u>\$1,253,367</u>	<u>\$880,207</u>

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

5. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised values. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1999.

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.

The full tax rate applied to real property for the fiscal year ended December 31, 2003, 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 \$11.90 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$14.21 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 the fiscal year ended December 31, 2002, was \$15.60 per \$1,000 of assessed valuation.

Real Property – 2003 Valuation	
Residential/Agricultural	\$ 291,467,590
Commercial/Industrial	35,168,060
Public Utilities	470,910
Tangible Personal Property	
General – 2002 Valuation	25,289,818
Public Utilities – 2002 Valuation	<u>38,043,680</u>
Total Valuation	<u>\$ 390,440,058</u>

The Perry County Treasurer collects property tax 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.

PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

6. RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS)

The County participates in the Ohio Public Employees Retirement System of Ohio (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 that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and the combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,279,517, \$1,202,241, and \$1,392,563 respectively; 100 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$1,657 made by the County and \$1,039 made by the plan members.

7. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual County employer contributions for 2003 which were used to fund postemployment benefits were \$463,236. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in a OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

8. JOINTLY GOVERNED ORGANIZATIONS

Buckeye Hills-Hocking Valley Regional Development District

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

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

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

8. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Coshocton-Fairfield-Licking-Perry Solid Waste District (Continued)

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.

Mental Health and Recovery Services Board 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.

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. During 2003, the County contributed \$36,088 to the Council. Continued existence of the Council is not dependent on the County's continued participation, and the County has no equity interest in or financial responsibility for the Council. The Council has no outstanding debt.

Perry County 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. In 2003, the County contributed \$171,502 to the Council. The Perry County Auditor serves as the fiscal agent for the

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

8. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Perry County Family and Children First Council (Continued)

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.

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 House Bill 470 and the Federal Workforce Investment Act of 1998. Its 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 2003, 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.

9. INSURANCE PURCHASING POOLS

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 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.

10. 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, 2003.

PERRY COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

10. CONTINGENCIES (Continued)

B. Litigation

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

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	N/A	10.553	\$7,764
National School Lunch Program	N/A	10.555	14,549
Total Nutrition Cluster			<u>22,313</u>
<i>Direct Program:</i>			
Forestry Incentives Program	N/A	10.064	2,552
Total United States Department of Agriculture			<u>24,865</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	B-C-01-059-1	14.228	217,671
	B-F-00-059-1	14.228	82,389
	B-F-01-059-1	14.228	161,591
	B-F-02-059-1	14.228	173,181
	B-W-01-059-1	14.228	492,500
	B-W-02-059-1	14.228	500,000
Total Community Development Block Grants/State's Program			<u>1,627,332</u>
HOME Investments Partnership Program		14.239	40,502
Total United States Department of Housing and Urban Development			<u>1,667,834</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct Program:</i>			
Airport Improvement Program	3-39-0059-0102	20.106	125,959
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction	20216	20.205	130,540
	22585	20.205	147,558
Total Highway Planning and Construction			<u>278,098</u>
Formula Grants for Other Than Urbanized Areas	RPT-4064-022-031	20.509	60,479
Total United States Department of Transportation			<u>464,536</u>
UNITED STATES GENERAL SERVICES ADMINISTRATION			
<i>Passed through Ohio Secretary of State:</i>			
Election Reform Payments	04-SOS-HAVA-64	39.011	6,000
Total United States General Services Administration			<u>6,000</u>

(Continued)

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Expenditures
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Department of Public Safety:</i>			
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0106	97.004	33,048
	2001-TE-CX-0106	97.004	63,158
Total State Domestic Preparedness Equipment Support Program			<u>96,206</u>
Public Assistance Grants	DR-127-10261	97.036	37,626
Emergency Management Performance Grants	N/A	97.042	5,476
State and Local All Hazards Emergency Operations Planning	EMC-2003-GR-7026	97.051	22,915
Total United States Department of Homeland Security			<u>162,223</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Social Services Block Grant	N/A	93.667	48,449
Chafee Foster Care Independent Living	N/A	93.674	13,020
Medical Assistance Program	N/A	93.778	638,987
Total United States Department of Health and Human Services			<u>700,456</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Ohio Department of Jobs and Family Services:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act - Youth Activities	N/A	17.259	376,298
Workforce Investment Act - Youth Activities Administration	N/A	17.259	28,964
Workforce Investment Act - Youth Activities Total			<u>405,262</u>
Workforce Investment Act - Adult Program	N/A	17.258	347,638
Workforce Investment Act - Adult Program Administration	N/A	17.258	18,972
Workforce Investment Act - Adult Program Total			<u>366,610</u>
Workforce Investment Act - Dislocated Workers	N/A	17.260	118,686
Workforce Investment Act - Dislocated Workers Administration	N/A	17.260	7,190
Workforce Investment Act - Dislocated Workers Total			<u>125,876</u>
Total Workforce Investment Act Cluster			<u>897,748</u>
Total United States Department of Labor			<u>897,748</u>
Total Federal Awards Expenditures			<u><u>\$3,923,662</u></u>

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

PERRY COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Receipts and Expenditures Schedule reflects all 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirements of these programs has not changed. A comparison of the Federal agencies' CFDA numbers under which the County was originally awarded this assistance compared with the Department's current CFDA numbers reported in the 2003 Schedule follows:

<u>Previous Federal Agency</u>	<u>CFDA No. used for 2002</u>	<u>Homeland Security CFDA No. used for 2003</u>
Federal Emergency Management Agency	83.552	97.042
Federal Emergency Management Agency	83.562	97.051

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of Perry County, Ohio (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated December 16, 2004, wherein we noted the County did not properly record encumbrances. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-005 and 2003-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated December 16, 2004.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-001, 2003-002, 2003-005 through 2003-007, 2003-009 and 2003-010.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2003-001, 2003-002, 2003-005, 2003-006 and 2003-010 listed above to be material weaknesses. We also noted certain other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated December 16, 2004.

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

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

Betty Montgomery
Auditor of State

December 16, 2004



Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Perry 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 each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations and 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 have 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 a legal determination on the County's compliance with those requirements.

As described in item 2003-011 in the accompanying Schedule of Findings, the County did not comply with requirements regarding Cash Management that are applicable to its Community Development Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2003.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings as item 2003-011.

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. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-011 described above to be a material weakness.

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



Betty Montgomery
Auditor of State

December 16, 2004

PERRY COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material 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?	Yes
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants/State's Program - CFDA #14.228 Medical Assistance Program - CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

PERRY COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

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

FINDING NUMBER 2003-001

Noncompliance Citation and Material Weakness

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

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

FINDING NUMBER 2003-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.36(A)(1) requires that, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under Section 5705.281 of the Ohio Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year, excluding any reserve balance in an account established under Section 5705.13 of the Revised Code for the purpose described in division (A)(1) of that section and excluding the principal of a nonexpendable trust fund established under Section 5705.131 of the Ohio Revised Code and any additions to principal arising from sources other than the reinvestment of investment earnings arising from that fund.

During January 2003, the County Auditor issued the County's first amended certificate that included unencumbered beginning fund balances and estimated receipts. However, on December 30, 2003, the County Auditor issued another amended certificate that modified the original certified unencumbered beginning fund balances, the effect of which was to eliminate all recorded encumbrances at January 1, 2003. There is no statutory authority to certify unencumbered balances that existed at December 31, 2002 other than the certification required on or about the first day of the 2003 fiscal year. The amended certificate issued December 30, 2003 neither complied with the aforementioned budgetary law nor resulted in the accurate certification of December 31, 2002 unencumbered fund balances.

PERRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-002 (Continued)

Noncompliance Citation and Material Weakness (Continued)

Ohio Rev. Code Section 5705.36(A)(1) (Continued)

As a result, unencumbered beginning fund balances were overstated on the last amended certificate since a portion of the encumbrances at January 1, 2003 were for valid outstanding purchase commitments.

We recommend the County Auditor prepare the certification of unencumbered fund balances on or about the first day of each fiscal year. The certification should be prepared once valid outstanding purchase commitments are determined and properly recorded in the County's financial statements. The County Auditor should not re-certify unencumbered fund balances after the original certification is made on or about the first day of each fiscal year.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 5705.39 prohibits total appropriations in each fund from exceeding total estimated resources.

Appropriations exceeded estimated resources in the following funds and amounts, prior to the issuance of an amended certificate on December 30, 2003, as more fully explained in Finding Number 2003-002, above.

Fund	Amount
Auto License and Gas Tax	\$480,517
OWDA Loan Buckeye Lake	\$442,194
Public Assistance	\$15,060
Litter Control Grant	\$229
Title VI-D Child Support	\$16,954
Drop off/Recycling Program	\$6,033
Perry County Transit System	\$1,969
Sheriff's Litter Grant	\$583
Community Development Block Grant	\$2,292
Multi-County Juvenile Facility	\$3,392

Appropriations in excess of estimated resources could result in deficit spending. We recommend the County Auditor limit appropriations to available estimated resources.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits each subdivision and taxing authority from expending money unless it has been appropriated.

Expenditures exceeded appropriations in the Joint County Health Plan Fund by \$2,717,199 and in the Early Start MRDD Fund by \$349,638 for the year ended December 31, 2003.

We recommend the County Auditor refrain from expending money unless it has been appropriated.

FINDING NUMBER 2003-005

Noncompliance Citation and Material Weakness

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

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

1. **"Then and Now" Certificate** - If the fiscal officer (County Auditor) can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of County Commissioners) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$100 in the case of counties may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-005 (Continued)

Noncompliance Citation and Material Weakness (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

- 3. Super Blanket Certificate** – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The County did not properly certify the availability of funds prior to incurring a purchase commitment for 28% of the expenditures tested and there was no evidence that the County Auditor followed the aforementioned exceptions. As a result, certain amounts of valid outstanding purchase commitments were not reported as prior year carryover appropriations and as December 31, 2003 encumbrances on the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority. It was not practical to determine the extent of valid outstanding purchase commitments where the County Auditor's certification should have been obtained and appropriations encumbered.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend the County Auditor certify that the funds are or will be available prior to an obligation being incurred by the County. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2003-006

Material Weakness

In addition to the County incurring purchase commitments without first obtaining the County Auditor's certification that funds are available as explained in Finding Number 2003-005, significant encumbrances existed at January 1, and December 31, 2003 which were not supported by valid outstanding purchase commitments.

As a result, certain amounts reported as prior year carryover appropriations and as December 31, 2003 encumbrances on the Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority were not supported by valid outstanding purchase commitments. It was not practical to determine the extent of valid outstanding purchase commitments at January 1, and December 31, 2003. The practice of encumbering large amounts of appropriations at year when valid outstanding purchase commitments do not exist and then canceling encumbrances in the subsequent year weakens the Board of County Commissioners' budgetary control over expenditures.

We recommend only outstanding valid purchase commitments be encumbered and the practice of encumbering large amounts of appropriations at year end that are not supported by outstanding valid purchase commitments be discontinued.

PERRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-007

Reportable Condition

Although the respective warrant was filed with the original invoice and other supporting documentation for each disbursement made by the County, the County Commissioners reviewed only a weekly Invoice Status Report generated by the computer system. This report was reviewed and signed by the Commissioners prior to the warrants being processed and such review and approval was noted in the minutes.

This method of approving bills could allow payments to be made where adequate supporting documentation does not exist and/or where payments are not included on the weekly Invoice Status Report. Since supporting documentation is not reviewed at the time of approval, expenditures could be made for other than a proper public purpose.

We recommend that each individual voucher, along with the original invoice and other supporting documentation, be presented to the Board of County Commissioners for each Board member's review and approval. Each voucher should be signed by the Commissioners as evidence of their review and approval.

FINDING NUMBER 2003-008

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires, in part, that money paid into a fund must be used only for the purposes 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.

The following funds had negative fund balances in the following ranges at month's end during 2003:

Fund	From	To
General	(\$93,318)	(\$295,713)
Perry County Self Insurance	(\$102,771)	(\$102,771)
Clerk of Courts Computer	(\$1,652)	(\$3,047)
County Court Computerization	(\$2,027)	(\$5,4377)
Bank Building	(\$55,634)	(\$70,000)
Building, Water & Airport Bond Retirement	(\$25,873)	(\$25,873)
Perry County Senior Center	(\$15,029)	(\$61,119)
Joint County Health Plan	(\$14,542)	(\$151,363)
OWDA Loan Buckeye Lake	(\$5,894)	(\$5,894)
Multi-County Juvenile Facility	(\$12,661)	(\$34,669)

We recommend the County Auditor refrain from deficit spending.

PERRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

FINDING NUMBER 2003-009

Reportable Condition

During 2003, the County had not obtained all the necessary documentation in order to perform bank reconciliations for the self insurance bank account and there was no evidence to indicate that bank reconciliations for the self insurance account had been performed.

Without timely bank reconciliations, errors and/or irregularities could occur and remain undetected by County employees.

We recommend bank reconciliations for the County self insurance account be performed and reviewed on a monthly basis in order to provide assurances that all cash receipts and disbursements had been accurately recorded. Furthermore, we recommend the County obtain the necessary reports from Central Benefits to allow County personnel to perform monthly bank reconciliations. The reconciliations should be performed by an individual, and then signed and dated by the County Auditor as evidence of review and approval

FINDING NUMBER 2003-010

Material Weakness

The County Auditor's Office provided the Board of County Commissioners, on a monthly basis, a copy of the Revenue Status Report, Expense Status Report and Statement of Cash Position Report for the Board's review. The status reports included budget information to allow Board members to monitor budget versus actual activity. However, there was no evidence that these reports had been reviewed.

As a result, budgetary issues occurred throughout 2003, as described in Finding Numbers 2003-002 through 2003-007, and 2003-008, for which corrective action had not been taken in a timely manner.

We recommend the Board of County Commissioners document in its minutes the discussion of its review of the monthly reports and the actions to be taken to avoid or correct budgetary violations. As evidenced by the number of budgetary violations that were noted in previous audits and by those cited in this report, a more pro-active, concerted approach is needed by the Board and County Auditor in order to prevent future noncompliance and restore budgetary integrity.

PERRY COUNTY

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 DECEMBER 31, 2003
 (Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-011
CFDA Title and Number	Community Development Block Grants/State's Program – CFDA No. 14.228
Federal Award Number / Year	B-C-01-059-1 B-F-00-059-1 B-F-01-059-1 B-F-02-059-1 B-W-01-059-1 B-W-02-059-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Material Weakness and Noncompliance Citation – Cash Management

OHCP *Financial Management Rules and Regulations* Section (A)(3)(f), also referred to as the "Fifteen Day Rule," requires all grantees to develop a cash management system limiting amounts drawn down to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt. During our audit of the County's Community Development Block Grants we noted that in 4 out of 27 instances, or 15%, funds on hand were not appropriately reduced to a balance of less than \$5,000 within fifteen days as required. The County accumulated fund cash balances as much as \$123,600 during 2003.

Failure to comply with the Fifteen Day Rule could result in a loss of federal funds related to the County's Community Development Block Grants or could require the County to allocate interest to the appropriate funds for those funds held in excess of the fifteen day period.

We recommend the County modify its cash management procedures for Community Development Block Grant funds to ensure that monies are disbursed within fifteen days of being drawn down from the awarding agency.

PERRY COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315(c)
DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-011	Policies have been established to ensure that monies will not be drawn until the project is complete and an invoice is in hand. In addition, each grant has been separated into its own account as to avoid multiple grant balances accumulating in excess of a \$5,000 balance.	November 15, 2004	Crystal M. Ratliff, Community Development Manager Hocking, Athens, Perry Community Action

PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315(b)
 DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	A material noncompliance citation was issued under Ohio Rev. Code Section 9.38 for failure to deposit within 24 hours.	No	This citation was repeated in the management letter.
2002-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations in excess of total estimated resources.	No	This citation was repeated in the Schedule of Findings as finding number 2003-003.
2002-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 for appropriations in excess of total actual resources.	No	This citation was repeated in the Schedule of Findings as finding number 2003-002.
2002-004	A material noncompliance citation was issued under Ohio Admin. Code Section 117-2-03 (B) for failure to prepare and submit an annual financial report prepared in accordance with GAAP.	No	This citation was repeated in the Schedule of Findings as finding number 2003-001.
2002-005	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.40 for failure to amend the original appropriation resolution.	Yes	This citation was corrected but issues remain for the County's budgetary procedures.
2002-006	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.10 for paying expenses from a fund for purposes other than which such fund had been established.	No	This citation was repeated in the Schedule of Findings as finding number 2003-008.

PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315(b)
 DECEMBER 31, 2003
 (Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2002-007	A material noncompliance citation was issued under Ohio Rev. Code Section 319.04 for the county auditor's failure to obtain continuing education.	No	This citation was repeated in the management letter.
2002-008	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41 (B) for expenditures exceeding appropriations.	No	This citation was repeated in the Schedule of Findings as finding number 2003-004.
2002-009	A material weakness / reportable condition was issued to indicate that schedules from the annual financial report did not agree with the County's records.	No	This comment was repeated in the management letter.
2002-010	A reportable condition was issued regarding the failure to accurately report federal awards.	No	This comment was repeated in the management letter.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

PERRY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2005**