# FINANCIAL CONDITION
# PERRY COUNTY

## SINGLE AUDIT

## FOR THE YEAR ENDED DECEMBER 31, 2006

**PERRY COUNTY**

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PERRY COUNTY

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**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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of PERCO Inc., the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for PERCO Inc., on the report of other auditors.

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

Ohio Administrative Code § 117-02-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures, that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund, Job and Family Services Fund, Mental Retardation and Developmental Disabilities Fund and the Auto License and Gasoline Tax Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2008

The discussion and analysis of Perry County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the County's financial performance.

## Financial Highlights

Key financial highlights for 2006 are as follows:

- Net cash assets of governmental activities increased $1,400,340. Net cash assets of the business-type activities decreased $158,720,

- At the end of the current year, the County's governmental funds reported a combined ending fund balance of $11,891,002, an increase of $1,192,791 from the prior year.

## Using This Annual Financial Report

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

## Government-Wide Financial Statements

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

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

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

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

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

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

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

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

### *Fund Financial Statements*

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

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

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

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

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

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

### Government-Wide Financial Analysis

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

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Assets** | | | | | | |
| Equity in Pooled Cash | | | | | | |
| and Cash Equivalents | $10,772,593 | 9,508,639 | $694,084 | $852,804 | $11,466,677 | $10,361,443 |
| Cash in Segregated Accounts | 60,135 | 61,675 | 0 | 0 | 60,135 | 61,675 |
| Cash With Fiscal Agents | 871,414 | 876,636 | 0 | 0 | 871,414 | 876,636 |
| Investments | 1,111,390 | 968,242 | 0 | 0 | 1,111,390 | 968,242 |
| *Totals Assets* | 12,815,532 | 11,415,192 | 694,084 | 852,804 | 13,509,616 | 12,267,996 |
| **Net Assets** | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | 171,458 | 303,623 | 0 | 0 | 171,458 | 303,623 |
| Health | 3,141,864 | 2,717,614 | 0 | 0 | 3,141,864 | 2,717,614 |
| Public Works | 2,385,096 | 1,917,982 | 0 | 0 | 2,385,096 | 1,917,982 |
| Human Service | 234,136 | 37,832 | 0 | 0 | 234,136 | 37,832 |
| Other Purposes | 3,736,902 | 3,945,706 | 0 | 0 | 3,736,902 | 3,945,706 |
| Unclaimed Monies | 96,995 | 59,147 | 0 | 0 | 96,995 | 59,147 |
| Unrestricted | 3,049,081 | 2,433,288 | 694,084 | 852,804 | 3,743,165 | 3,286,092 |
| *Total Net Assets* | $12,815,532 | $11,415,192 | $694,084 | $852,804 | $13,509,616 | $12,267,996 |

A portion of the County's net assets, $9,766,451 or 72 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, $3,743,165, or 28 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2006, and comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

| **Receipts** | Governmental Activites 2006 | Business-Type Activities 2006 | Total 2006 | Governmental Activites 2005 | Business-Type Activities 2005 | Total 2005 |
|---|---|---|---|---|---|---|
| Program Receipts | | | | | | |
| Charges for Services | $4,814,858 | $797,518 | $5,612,376 | $3,442,904 | $1,453,305 | $4,896,209 |
| Operating Grants, Contributions, and Interest | 15,615,194 | 0 | 15,615,194 | 17,514,351 | 0 | 17,514,351 |
| Capital Grants, Contributions, and Interest | 1,459,475 | 693,900 | 2,153,375 | 2,563,797 | 26,352 | 2,590,149 |
| *Total Program Receipts* | 21,889,527 | 1,491,418 | 23,380,945 | 23,521,052 | 1,479,657 | 25,000,709 |
| General Receipts and Transfers | | | | | | |
| Property Taxes | 4,978,609 | 0 | 4,978,609 | 4,838,106 | 0 | 4,838,106 |
| Conveyence Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Permissive Sales Taxes | 1,784,047 | 0 | 1,784,047 | 1,776,149 | 0 | 1,776,149 |
| Intergovernmental | 748,568 | 0 | 748,568 | 1,592,666 | 0 | 1,592,666 |
| Interest | 680,212 | 0 | 680,212 | 287,485 | 0 | 287,485 |
| Payment in Lieu of Taxes | 28,150 | 0 | 28,150 | 276,204 | 0 | 276,204 |
| Note Proceeds | 0 | 300,974 | 300,974 | 0 | 3,801,747 | 3,801,747 |
| Capital Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 578,059 | 12,708 | 590,767 | 804,830 | 2,336 | 807,166 |
| Transfers In | 112,200 | 0 | 112,200 | 0 | 0 | 0 |
| *Total General Receipts* | 8,909,845 | 313,682 | 9,223,527 | 9,575,440 | 3,804,083 | 13,379,523 |
| *Total Receipts* | 30,799,372 | 1,805,100 | 32,604,472 | 33,096,492 | 5,283,740 | 38,380,232 |
| **Program Disbursements** | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 2,649,093 | 0 | 2,649,093 | 2,665,017 | 0 | 2,665,017 |
| Judicial | 1,189,101 | 0 | 1,189,101 | 1,070,253 | 0 | 1,070,253 |
| Public Safety | 3,957,659 | 0 | 3,957,659 | 4,185,616 | 0 | 4,185,616 |
| Public Works | 5,535,612 | 0 | 5,535,612 | 4,250,350 | 0 | 4,250,350 |
| Health | 3,367,684 | 0 | 3,367,684 | 3,171,050 | 0 | 3,171,050 |
| Human Services | 10,794,587 | 0 | 10,794,587 | 10,794,231 | 0 | 10,794,231 |
| Conservation and Recreation | 247,823 | 0 | 247,823 | 194,578 | 0 | 194,578 |
| Capital Outlay | 1,298,578 | 0 | 1,298,578 | 3,433,279 | 0 | 3,433,279 |
| Miscellaneous | 0 | 0 | 0 | 183,490 | 0 | 183,490 |
| Debt Service | | | | | | |
| Principal | 170,000 | 0 | 170,000 | 193,567 | 0 | 193,567 |
| Interest and Fiscal Charges | 188,895 | 0 | 188,895 | 167,134 | 0 | 167,134 |
| Water | 0 | 1,602,035 | 1,602,035 | 0 | 4,864,603 | 4,864,603 |
| Sewer | 0 | 361,785 | 361,785 | 0 | 448,479 | 448,479 |
| *Total Disbursements* | 29,399,032 | 1,963,820 | 31,362,852 | 30,308,565 | 5,313,082 | 35,621,647 |
| *Change in Net Assets* | 1,400,340 | (158,720) | 1,241,620 | 2,787,927 | (29,342) | 2,758,585 |
| Net Assets Beginning of Year | 11,415,192 | 852,804 | 12,267,996 | 8,627,265 | 882,146 | 9,509,411 |
| Total Net Assets | $12,815,532 | $694,084 | $13,509,616 | $11,415,192 | $852,804 | $12,267,996 |

Operating grants were the largest program receipts, accounting for $15,615,194 or 51 percent of total governmental activities receipts. The major recipients of intergovernmental program receipts were the Job and Family Services, Auto License and Gasoline Tax, Mental Health, and Mental Retardation and Developmental Disabilities governmental programs.

Property tax receipts account for $4,978,609 or 16 percent of total governmental activities receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for $1,784,047 or 6 percent of total receipts.

The County's direct charges to users of governmental services made up $4,814,858 or 16 percent of total governmental receipts. These charges are for fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for $10,794,587, or 37 percent of total disbursements for governmental activities. Other major program disbursements for governmental activities include public safety programs, and public works programs, which accounted for $3,957,659, and $5,535,612, or 13 percent and 19 percent, respectively, of total disbursements.

**Business-Type Activities**

The net assets for business-type activities decreased by $158,720 during 2006. Charges for services and capital grants accounted for $797,518 and 693,900 or 44 percent and 38 percent of receipts respectively.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2006 and 2005. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3
Governmental Activities

| | Total Cost of Services 2006 | Net Cost (Gain) of Services 2006 | Total Cost of Services 2005 | Net Cost (Gain) of Services 2005 |
|---|---|---|---|---|
| General Government: | | | | |
| Legislative and Executive | $2,649,093 | $1,063,024 | $2,665,017 | $1,058,912 |
| Judicial | 1,189,101 | 658,467 | 1,070,253 | 438,897 |
| Public Safety | 3,957,659 | 1,868,744 | 4,185,616 | 1,608,356 |
| Public Works | 5,535,612 | 330,474 | 4,250,350 | (250,371) |
| Health | 3,367,684 | 1,121,508 | 3,171,050 | 468,912 |
| Human Services | 10,794,587 | 2,030,545 | 10,794,231 | 2,547,399 |
| Conservation and Recreation | 247,823 | 247,823 | 194,578 | 194,578 |
| Capital Outlay | 1,298,578 | (169,975) | 3,433,279 | 189,359 |
| Miscellaneous | 0 | 0 | 183,490 | 170,770 |
| Principal Retirement | 170,000 | 170,000 | 193,567 | 193,567 |
| Interest and Fiscal Charges | 188,895 | 188,895 | 167,134 | 167,134 |
| Total Expenses | $29,399,032 | $7,509,505 | $30,308,565 | $6,787,513 |

Charges for services, operating grants, and capital grants of $21,889,527, or 74 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining $7,509,505 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, and miscellaneous receipts.

The $2,030,545 and $1,121,508 in net cost of services for Human Services and Health demonstrate the costs of services that are not supported from state and federal resources.

## Financial Analysis of County Funds

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

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

As of December 31, 2006, the County's governmental funds reported a combined ending fund balance of $11,891,002, an increase of $1,192,791 in comparison with the prior year. $10,513,827, or 88 percent of this total, constitutes unreserved undesignated fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year ($1,280,180) or other restricted purposes ($96,995). While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they lead to restricted net assets on the Statement of Net Assets due to expenditure restrictions mandated by the source of the resource, such as the state or federal government.

The General Fund is the primary operating fund of the County. At the end of 2006, unreserved fund balance was $2,046,259, while total fund balance was $2,221,546. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund disbursements. Unreserved fund balance represents 37 percent to total General Fund disbursements, while total fund balance represents 41 percent of that same amount.

The fund balance of the County's General Fund increased by $446,092 during 2006. This increase was mainly derived from the County being able to maintain spending practices that kept disbursement increases proportionally in line with revenue increases, thus avoiding overspending.

At the end of 2006, the Job and Family Services Special Revenue Fund had a fund balance of $234,136, in comparison to a fund balance of $37,832 at the end of 2005. This change is primarily due to increased grant receipts during 2006.

At the end of 2006, the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of $3,141,864, in comparison to a fund balance of $2,717,614 at the end of 2005. This increase is primarily due to a proportional decrease in expenditures.

At the end of 2006, the Auto License and Gasoline Tax Special Revenue Fund had a fund balance of $2,385,096, in comparison to a fund balance of $1,917,982 at the end of 2005. This increase is primarily due to a decrease in capital outlay expenditures in 2006.

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

As of December 31, 2006, unrestricted net assets for the County's enterprise funds were $694,084.

As of December 31, 2006, unrestricted net assets in the self-insurance program were $924,530. Due to a significant decrease in claims activity, the County's self-insurance reserves remain at a comfortable level.

## Budgetary Highlights

The County's budget is to be prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. According to State statute, the Board of County Commissioners may adopt a temporary operating budget for the County prior to the first day of January and a permanent annual operating budget for the County prior to the first day of April.

For the General Fund, there were changes from the original budget to the final budget. Total budgeted revenues for property taxes and investment income increased significantly to bring the budgeted amounts more in line with actual results. Likewise, final budgeted public safety and debt service increased in order to budget for actual needs.

## Capital Assets and Debt Administration

*Capital Assets* - The County does not maintain an accounting system for its capital assets and no information relating to capital assets is being presented.

*Long-Term Obligations* - As of December 31, 2006, the County had total general obligation bonded debt outstanding of $3,750,000 for the remodeling of the Jobs and Family Services building. The majority of the bonded debt is expected to be repaid through governmental activities, with a portion being paid by the Water Fund.

In addition to the bonded indebtedness, the County has a number of outstanding loans with government agencies in regards to water and sewer activities. The total principal outstanding as of December 31, 2006 is $9,160,803. The repayment of these loans will be made through user fees and charges. See Note 12 for additional information regarding the County's debt.

## Economic Factors

The unemployment rate for the County is currently 6.9 percent, which is a decrease from 8.0 percent in 2005. The County has long been considered a manufacturing and agricultural County. Nearly 14 percent of all employment in the County is considered manufacturing. The decrease in unemployment demonstrates the economic growth in the region.

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

The various economic factors were considered in the preparation of the County's 2007 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources.

## Requests for Information

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

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**Perry County, Ohio**
**Statement of Net Assets - Modified Cash Basis**
**December 31, 2006**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | PERCO, Inc. |
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $10,772,593 | $694,084 | $11,466,677 | $0 |
| Cash in Segregated Accounts | 60,135 | 0 | 60,135 | 438,593 |
| Cash With Fiscal Agents | 871,414 | 0 | 871,414 | 0 |
| Investments | 1,111,390 | 0 | 1,111,390 | 0 |
| *Total Assets* | 12,815,532 | 694,084 | 13,509,616 | 438,593 |
| **Net Assets** | | | | |
| Restricted for: | | | | |
| Capital Projects | 171,458 | 0 | 171,458 | 0 |
| Health | 3,141,864 | 0 | 3,141,864 | 0 |
| Public Works | 2,385,096 | 0 | 2,385,096 | |
| Human Services | 234,136 | 0 | 234,136 | |
| Other Purposes | 3,736,902 | 0 | 3,736,902 | 0 |
| Unclaimed Monies | 96,995 | 0 | 96,995 | 0 |
| Unrestricted | 3,049,081 | 694,084 | 3,743,165 | 438,593 |
| *Total Net Assets* | $12,815,532 | $694,084 | $13,509,616 | $438,593 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Activities - Modified Cash Basis**
**For the Year Ended December 31, 2006**

| | | Program Receipts | | |
|---|---|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| **Governmental Activities** | | | | |
| General Government: | | | | |
| Legislative and Executive | $2,649,093 | $1,586,069 | $0 | $0 |
| Judicial | 1,189,101 | 496,851 | 33,783 | 0 |
| Public Safety | 3,957,659 | 254,811 | 1,834,104 | 0 |
| Public Works | 5,535,612 | 689,870 | 4,515,268 | 0 |
| Health | 3,367,684 | 1,073,558 | 1,172,618 | 0 |
| Human Services | 10,794,587 | 704,621 | 8,059,421 | 0 |
| Conservation and Recreation | 247,823 | 0 | 0 | 0 |
| Capital Outlay | 1,298,578 | 9,078 | 0 | 1,459,475 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| Debt Service | | | | |
| Principal Retirement | 170,000 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 188,895 | 0 | 0 | 0 |
| *Total Governmental Activities* | 29,399,032 | 4,814,858 | 15,615,194 | 1,459,475 |
| **Business Type Activities** | | | | |
| Water Fund | 1,602,035 | 628,195 | 0 | 693,900 |
| Sewer Fund | 361,785 | 169,323 | 0 | 0 |
| *Total Business-Type Activities* | 1,963,820 | 797,518 | 0 | 693,900 |
| *Total Primary Government* | $31,362,852 | $5,612,376 | $15,615,194 | $2,153,375 |
| *Component Unit:* | | | | |
| PERCO, Inc. | $347,770 | $330,342 | $3,650 | $0 |

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

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year (Restated - See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

| Net (Disbursements) Receipts and Changes in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | PERCO, Inc. |
| ($1,063,024) | $0 | ($1,063,024) | $0 |
| (658,467) | 0 | (658,467) | 0 |
| (1,868,744) | 0 | (1,868,744) | 0 |
| (330,474) | 0 | (330,474) | 0 |
| (1,121,508) | 0 | (1,121,508) | 0 |
| (2,030,545) | 0 | (2,030,545) | 0 |
| (247,823) | 0 | (247,823) | 0 |
| 169,975 | 0 | 169,975 | 0 |
| 0 | 0 | 0 | 0 |
| (170,000) | 0 | (170,000) | 0 |
| (188,895) | 0 | (188,895) | 0 |
| (7,509,505) | 0 | (7,509,505) | 0 |
| 0 | (279,940) | (279,940) | 0 |
| 0 | (192,462) | (192,462) | 0 |
| 0 | (472,402) | (472,402) | 0 |
| (7,509,505) | (472,402) | (7,981,907) | 0 |
| 0 | 0 | 0 | (13,778) |
| 1,711,935 | 0 | 1,711,935 | 0 |
| 1,494,549 | 0 | 1,494,549 | 0 |
| 223,680 | 0 | 223,680 | 0 |
| 445,526 | 0 | 445,526 | 0 |
| 967,390 | 0 | 967,390 | 0 |
| 135,529 | 0 | 135,529 | 0 |
| 1,784,047 | 0 | 1,784,047 | 0 |
| 748,568 | 0 | 748,568 | 0 |
| 680,212 | 0 | 680,212 | 12,778 |
| 28,150 | 0 | 28,150 | 0 |
| 0 | 300,974 | 300,974 | 0 |
| 112,200 | 0 | 112,200 | 0 |
| 578,059 | 12,708 | 590,767 | 3 |
| 8,909,845 | 313,682 | 9,223,527 | 12,781 |
| 1,400,340 | (158,720) | 1,241,620 | (997) |
| 11,415,192 | 852,804 | 12,267,996 | 439,590 |
| $12,815,532 | $694,084 | $13,509,616 | $438,593 |

**Perry County, Ohio**
**Statement of Modified Cash Basis Assets and Fund Balances**
**Governmental Funds**
**December 31, 2006**

| | General | Job and Family Services | MRDD | Auto License and Gasoline Tax | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $1,013,161 | $234,136 | $2,270,450 | $2,385,096 | $3,848,225 | $9,751,068 |
| Restricted Cash and Cash Equivalents | 96,995 | 0 | 0 | 0 | 0 | 96,995 |
| Cash in Segregated Accounts | 0 | 0 | 0 | 0 | 60,135 | 60,135 |
| Cash With Fiscal Agents | 0 | 0 | 871,414 | 0 | 0 | 871,414 |
| Investments | 1,111,390 | 0 | 0 | 0 | 0 | 1,111,390 |
| *Total Assets* | $2,221,546 | $234,136 | $3,141,864 | $2,385,096 | $3,908,360 | $11,891,002 |
| **Fund Balances** | | | | | | |
| Reserved for Encumbrances | $78,292 | $180,000 | $217,020 | $454,914 | $349,954 | $1,280,180 |
| Reserved for Unclaimed Monies | 96,995 | 0 | 0 | 0 | 0 | 96,995 |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | 2,046,259 | 0 | 0 | 0 | 0 | 2,046,259 |
| Special Revenue Funds | 0 | 54,136 | 2,924,844 | 1,930,182 | 3,414,841 | 8,324,003 |
| Capital Projects Funds | 0 | 0 | 0 | 0 | 143,565 | 143,565 |
| *Total Fund Balances* | $2,221,546 | $234,136 | $3,141,864 | $2,385,096 | $3,908,360 | $11,891,002 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Reconciliation of Total Governmental Fund Balances to**
**Net Assets - Modified Cash Assets of Governmental Activities**
**December 31, 2006**

| | |
|---|---|
| **Total Governmental Fund Balances** | $11,891,002 |
| ***Amounts reported for governmental activities in the statement of net assets are different because:*** | |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net assets. | 924,530 |
| **Net Assets of Governmental Activities** | $12,815,532 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Modified Cash Receipts, Disbursements and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended December 31, 2006**

| | General | Job and Family Services | MRDD | Auto License and Gasoline Tax | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Receipts** | | | | | | |
| Property Taxes | $1,711,935 | $0 | $1,494,549 | $0 | $1,772,125 | $4,978,609 |
| Sales Taxes | 1,784,047 | 0 | 0 | 0 | 0 | 1,784,047 |
| Payment in Lieu of Taxes | 28,150 | 0 | 0 | 0 | 0 | 28,150 |
| Charges for Services | 1,033,049 | 405,854 | 941,107 | 0 | 1,302,686 | 3,682,696 |
| Licenses and Permits | 2,294 | 0 | 0 | 0 | 292,333 | 294,627 |
| Fines and Fees | 286,943 | 0 | 0 | 16,534 | 17,511 | 320,988 |
| Intergovernmental | 790,214 | 5,698,103 | 1,002,676 | 5,622,831 | 5,162,684 | 18,276,508 |
| Interest | 614,280 | 0 | 0 | 65,932 | 0 | 680,212 |
| Loan Revenue | 0 | 0 | 0 | 0 | 63,276 | 63,276 |
| Miscellaneous | 100,772 | 191,747 | 226,944 | 12,699 | 45,897 | 578,059 |
| *Total Receipts* | 6,351,684 | 6,295,704 | 3,665,276 | 5,717,996 | 8,656,512 | 30,687,172 |
| **Disbursements** | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| Legislative and Executive | 1,854,773 | 0 | 0 | 0 | 844,935 | 2,699,708 |
| Judicial | 979,046 | 0 | 0 | 0 | 238,100 | 1,217,146 |
| Public Safety | 2,003,709 | 0 | 0 | 0 | 2,023,332 | 4,027,041 |
| Public Works | 0 | 0 | 0 | 4,765,210 | 774,244 | 5,539,454 |
| Health | 93,274 | 0 | 2,956,831 | 0 | 321,353 | 3,371,458 |
| Human Services | 242,080 | 6,334,242 | 0 | 0 | 4,270,156 | 10,846,478 |
| Conservation and Recreation | 247,823 | 0 | 0 | 0 | 0 | 247,823 |
| Capital Outlay | 50,000 | 0 | 15,980 | 485,672 | 746,926 | 1,298,578 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 170,000 | 170,000 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 188,895 | 188,895 |
| *Total Disbursements* | 5,470,705 | 6,334,242 | 2,972,811 | 5,250,882 | 9,577,941 | 29,606,581 |
| *Excess of Receipts Over (Under) Disbursements* | 880,979 | (38,538) | 692,465 | 467,114 | (921,429) | 1,080,591 |
| **Other Financing Sources (Uses)** | | | | | | |
| Advances In | 1,234 | 0 | 0 | 0 | 9,583 | 10,817 |
| Advances Out | (9,583) | 0 | 0 | 0 | (1,234) | (10,817) |
| Transfers In | 0 | 234,842 | 0 | 0 | 572,111 | 806,953 |
| Transfers Out | (426,538) | 0 | (268,215) | 0 | 0 | (694,753) |
| Total Other Financing Sources (Uses) | (434,887) | 234,842 | (268,215) | 0 | 580,460 | 112,200 |
| *Net Change in Fund Balances* | 446,092 | 196,304 | 424,250 | 467,114 | (340,969) | 1,192,791 |
| *Fund Balances Beginning of Year (Restated - See Note 3)* | 1,775,454 | 37,832 | 2,717,614 | 1,917,982 | 4,249,329 | 10,698,211 |
| *Fund Balances End of Year* | $2,221,546 | $234,136 | $3,141,864 | $2,385,096 | $3,908,360 | $11,891,002 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis**
**For the Year Ended December 31, 2006**

| | |
|---|---|
| **Net Change in Fund Balances - Governmental Funds** | $1,192,791 |
| ***Amounts reported for governmental activities in the statement of activities are different because:*** | |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expenses of the internal service fund is allocated among the governmental activities. | 207,549 |
| **Change in Net Assets of Governmental Activities** | $1,400,340 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Receipts, Disbursements and Changes in**
**in Fund Balance - Budget and Actual (Budget Basis)**
**General Fund**
**For the Year Ended December 31, 2006**

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Receipts** | | | | |
| Property Taxes | $1,443,500 | $1,739,925 | $1,711,935 | ($27,990) |
| Sales Taxes | 1,700,000 | 1,785,900 | 1,784,047 | (1,853) |
| Payment in Lieu of Taxes | 28,150 | 28,150 | 28,150 | 0 |
| Charges for Services | 891,000 | 906,635 | 1,033,049 | 126,414 |
| Licenses and Permits | 2,800 | 2,625 | 2,294 | (331) |
| Fines and Forfeitures | 313,500 | 303,325 | 286,943 | (16,382) |
| Intergovernmental | 705,193 | 741,360 | 790,214 | 48,854 |
| Investment Income | 250,000 | 542,000 | 614,280 | 72,280 |
| Other Receipts | 57,500 | 150,062 | 100,772 | (49,290) |
| *Total Receipts* | 5,391,643 | 6,199,982 | 6,351,684 | 151,702 |
| **Disbursements** | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 1,854,289 | 1,986,087 | 1,883,622 | 102,465 |
| Judicial | 975,770 | 1,007,774 | 992,659 | 15,115 |
| Public Safety | 1,727,910 | 2,082,272 | 2,033,390 | 48,882 |
| Health | 86,514 | 93,319 | 93,274 | 45 |
| Human Services | 250,574 | 256,305 | 248,229 | 8,076 |
| Conservation and Recreation | 247,823 | 247,823 | 247,823 | 0 |
| Capital Outlay | | | 50,000 | (50,000) |
| Debt Service: | | | | |
| Principal | 13,600 | 41,268 | 0 | 41,268 |
| Interest and Fiscal Charges | 15,112 | 77,071 | 0 | 77,071 |
| *Total Disbursements* | 5,171,592 | 5,791,919 | 5,548,997 | 242,922 |
| *Excess of Receipts Over (Under) Disbursements* | 220,051 | 408,063 | 802,687 | 394,624 |
| **Other Financing Sources (Uses)** | | | | |
| Advances In | 0 | 0 | 1,234 | 1,234 |
| Advance Out | 0 | (76,477) | (9,583) | 66,894 |
| Transfers Out | (255,000) | (242,491) | (426,538) | (184,047) |
| *Total Other Financing Sources (Uses)* | (255,000) | (318,968) | (434,887) | (115,919) |
| *Net Change in Fund Balance* | (34,949) | 89,095 | 367,800 | 278,705 |
| *Fund Balance Beginning of Year* | 1,740,093 | 1,740,093 | 1,740,093 | 0 |
| Prior Year Encumbrances Appropriated | 35,361 | 35,361 | 35,361 | 0 |
| *Fund Balance End of Year* | $1,740,505 | $1,864,549 | $2,143,254 | $278,705 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Receipts, Disbursements and Changes**
**in Fund Balance - Budget and Actual (Budget Basis)**
**Job and Family Services Fund**
**For the Year Ended December 31, 2006**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **Positive (Negative)** |
| **Receipts** | | | | |
| Charges for Services | $0 | $0 | $405,854 | $405,854 |
| Intergovernmental | $7,504,109 | $6,283,126 | $5,698,103 | ($585,023) |
| Miscellaneous | 75,000 | 232,982 | 191,747 | (41,235) |
| *Total Receipts* | 7,579,109 | 6,516,108 | 6,295,704 | (220,404) |
| **Disbursements** | | | | |
| Current: | | | | |
| Human Services | 6,633,710 | 6,740,823 | 6,514,242 | 226,581 |
| *Excess of Receipts Under Disbursements* | 945,399 | (224,715) | (218,538) | (446,985) |
| **Other Financing Sources** | | | | |
| Transfers In | 276,350 | 234,842 | 234,842 | 0 |
| *Net Change in Fund Balance* | 1,221,749 | 10,127 | 16,304 | 6,177 |
| *Fund Balance Beginning of Year* | 37,832 | 37,832 | 37,832 | 0 |
| *Fund Balance (Deficit) End of Year* | $1,259,581 | $47,959 | $54,136 | $6,177 |

See accompanying notes to the basic financial statements

## Perry County, Ohio
## Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budget Basis)
## Mental Retardation and Developmental Disabilities
## For the Year Ended December 31, 2006

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Receipts** | | | | |
| Property Taxes | $1,533,564 | $1,533,564 | $1,494,549 | ($39,015) |
| Charges for Services | 948,036 | 948,036 | 941,107 | (6,929) |
| Intergovernmental | 1,501,191 | 1,501,191 | 1,002,676 | (498,515) |
| Miscellaneous | 182,050 | 182,050 | 226,944 | 44,894 |
| *Total Receipts* | 4,164,841 | 4,164,841 | 3,665,276 | (499,565) |
| **Disbursements** | | | | |
| Current: | | | | |
| Public Health | 3,579,754 | 3,414,221 | 3,173,851 | 240,370 |
| Capital Outlay | 37,169 | 34,487 | 15,980 | 18,507 |
| Total Disbursements | 3,616,923 | 3,448,708 | 3,189,831 | 258,877 |
| *Excess of Receipts Over (Under) Disbursements* | 547,918 | 716,133 | 475,445 | (240,688) |
| **Other Financing Uses** | | | | |
| Transfers Out | (100,000) | (268,215) | (268,215) | 0 |
| *Net Change in Fund Balance* | 447,918 | 447,918 | 207,230 | (240,688) |
| *Fund Balance Beginning of Year* | 2,631,029 | 2,631,029 | 2,631,029 | 0 |
| Prior Year Encumbrances Appropriated | 86,585 | 86,585 | 86,585 | 0 |
| *Fund Balance (Deficit) End of Year* | $3,165,532 | $3,165,532 | $2,924,844 | ($240,688) |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Receipts, Disbursements and Changes**
**in Fund Balance - Budget and Actual (Budget Basis)**
**Auto License and Gasoline Tax Fund**
**For the Year Ended December 31, 2006**

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **Positive (Negative)** |
| **Receipts** | | | | |
| Fines and Fees | $17,450 | $17,450 | $16,534 | ($916) |
| Intergovernmental | 4,044,550 | 4,149,250 | 5,622,831 | 1,473,581 |
| Interest | 8,000 | 8,000 | 65,932 | 57,932 |
| Miscellaneous | 0 | 0 | 12,699 | 12,699 |
| *Total Receipts* | 4,070,000 | 4,174,700 | 5,717,996 | 1,543,296 |
| **Disbursements** | | | | |
| Current: | | | | |
| Public Works | 4,362,525 | 4,587,919 | 5,220,124 | (632,205) |
| Capital Outlay | 0 | 485,672 | 485,672 | 0 |
| Total Disbursements | 4,362,525 | 5,073,591 | 5,705,796 | (632,205) |
| *Excess of Receipts Over (Under) Disbursements* | (292,525) | (898,891) | 12,200 | 911,091 |
| *Net Change in Fund Balance* | (292,525) | (898,891) | 12,200 | 911,091 |
| *Fund Balance Beginning of Year* | 1,180,764 | 1,180,764 | 1,180,764 | 0 |
| Prior Year Encumbrances Appropriated | 737,218 | 737,218 | 737,218 | 0 |
| *Fund Balance (Deficit) End of Year* | $1,625,457 | $1,019,091 | $1,930,182 | $911,091 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Fund Net Assets**
**Proprietary Funds**
**December 31, 2006**

| | Business-Type Activities | | | Governmental Activity- |
|---|---|---|---|---|
| | Sewer Enterprise Fund | Water Enterprise Fund | Total | Internal Service Fund |
| **Assets** | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | $322,220 | $371,864 | $694,084 | $924,530 |
| *Total Assets* | 322,220 | 371,864 | 694,084 | 924,530 |
| **Net Assets** | | | | |
| Unrestricted | 322,220 | 371,864 | 694,084 | 924,530 |
| *Total Net Assets* | $322,220 | $371,864 | $694,084 | $924,530 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Receipts, Disbursements and Changes in Fund Net Assets**
**Proprietary Funds**
**For the Year Ended December 31, 2006**

| | Business-Type Activities | | | Governmental Activities- |
|---|---|---|---|---|
| | Sewer Enterprise Fund | Water Enterprise Fund | Total | Internal Service Fund |
| **Operating Receipts** | | | | |
| Charges for Services | $169,323 | $628,195 | $797,518 | $0 |
| Charges for Services - Health Benefits | 0 | 0 | 0 | 2,882,073 |
| Interest Income | 0 | 0 | 0 | 4,032 |
| Miscellaneous | 0 | 12,708 | 12,708 | 4,940 |
| *Total Operating Receipts* | 169,323 | 640,903 | 810,226 | 2,891,045 |
| **Operating Disbursements** | | | | |
| Personal Services | 67,306 | 82,581 | 149,887 | 0 |
| Contractual Services | 23,769 | 189,432 | 213,201 | 0 |
| Contractual Services - Health Benefits | 0 | 0 | 0 | 464,625 |
| Materials and Supplies | 16,937 | 63,030 | 79,967 | 0 |
| Claims - Health Benefits | 0 | 0 | 0 | 2,218,871 |
| Capital Outlay | 173,914 | 351,037 | 524,951 | 0 |
| Other | 2,290 | 8,818 | 11,108 | 0 |
| Debt Service | | | | |
| Principal | 56,777 | 740,726 | 797,503 | 0 |
| Interest | 20,792 | 54,211 | 75,003 | 0 |
| *Total Operating Disbursements* | 361,785 | 1,489,835 | 1,851,620 | 2,683,496 |
| *Operating Gain (Loss)* | (192,462) | (848,932) | (1,041,394) | 207,549 |
| **Non-Operating Receipts (Disbursements)** | | | | |
| Transfer-Out | 0 | (112,200) | (112,200) | 0 |
| Capital Grants | 0 | 693,900 | 693,900 | 0 |
| Proceeds of Notes | 102,041 | 198,933 | 300,974 | 0 |
| *Change in Net Assets* | (90,421) | (68,299) | (158,720) | 207,549 |
| *Net Assets Beginning of Year* | 412,641 | 440,163 | 852,804 | 716,981 |
| *Net Assets End of Year* | $322,220 | $371,864 | $694,084 | $924,530 |

See accompanying notes to the basic financial statements

**Perry County, Ohio**
**Statement of Fiduciary Net Assets - Modified Cash Basis**
**Agency Funds**
**December 31, 2006**

| | |
|---|---|
| **Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $2,033,865 |
| Cash and Cash Equivalents in Segregated Accounts | 110,031 |
| *Total Assets* | $2,143,896 |
| **Net Assets:** | |
| Total Net Assets | $2,143,896 |

See accompanying notes to the financial statements

## Note 1 – Reporting Entity

Perry County, Ohio (the County), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County is governed by a board of three County Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a Probate/Juvenile Court Judge.

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

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

### A. Primary Government

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

### B. Component Units

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

### Discretely Presented Component Unit

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

PERCO, Inc. (PERCO), is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. PERCO, under a contractual agreement with the Perry County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for mentally retarded or handicapped adults in Perry County. The Perry County Board of MRDD provides PERCO with staff salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of PERCO. Based on the significant services and resources provided by the County to PERCO and PERCO's sole purpose of providing assistance to the retarded and handicapped adults of Perry County, PERCO is considered to be a component unit of Perry County. The nature and significance of the relationship between the County and the workshop is such that exclusion would cause the County's financial statements to be misleading or incomplete. PERCO operates on a fiscal year ending December 31. Separately-audited financial statements for PERCO are available from Beth Pompey, Fiscal Officer, 499 N. State Street, New Lexington, Ohio 43701.

**Note 1 – Reporting Entity** (continued)

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

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

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

***Perry County Family & Children First Council*** The Perry County Family, and Children First Council is created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Perry County Alcohol, Drug Addiction, and Mental Health Board; Health Commissioner of the Perry County Department of Health; Director of the Perry County Human Services; Director of the Perry County Children Services Department; Superintendent of the Perry County Mental Retardation and Development Disabilities; the Perry County Juvenile Court Judge; Superintendent of New Lexington City Schools; Superintendent of Perry County Board of Education; a representative of the City of New Lexington; Chair of the Perry County Commissioners; State Department of Youth Services regional representative; representative from the County Head Start Agencies; a representative of the County's early intervention collaboration established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Act of 2004;" and at least three individuals representing the interests of families in the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. The Council's revenues will consist of operating grants along with pooled funding from other government sources. In 2006, the County made no contributions to the Council. Continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

C. Joint Venture and Jointly Governed Organizations

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the modified cash basis of accounting, the County does not report assets for equity interests in joint ventures. The Corrections Commission of Southeastern Ohio (the "Commission") is a joint venture of which Athens, Hocking, Morgan and Perry counties are members. The Commission is a body politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Commission was established to use the authority common to the Members to develop, construct, operate and administer a multi-county correctional center to augment county jail programs and facilities.

The Commission was established by the Board of County Commissioners of Athens, Hocking, Morgan and Perry counties. The Commission is directed by one commissioner from each participating county, along with the sheriff and the presiding judge of the court of common pleas of each participating county. Any of these may name other representatives to fulfill this duty. The presiding judge for Hocking County chose to neither participate nor name a representative so there were 11 directors of the Commission in 2006. Each member county is responsible for a portion of the capital and operating budget as follows:

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

**Note 1 – Reporting Entity** (continued)

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

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

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

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2 C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The County does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the County's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

**Note 2 – Summary of Significant Accounting Policies** (continued)

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

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

Fund Financial Statements

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

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

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

**Note 2 – Summary of Significant Accounting Policies** (continued)

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

Proprietary Funds

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

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

> Sewer Fund - This fund accounts for sanitary sewer services provided to County individual and commercial users. The costs of providing these services are financed primarily through user charges.
>
> Water Fund - This fun accounts for the revenues generated from the charges for distribution of water to the residential and commercial users of the County. The costs of providing these services are financed primarily through user charges.

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

**Note 2 – Summary of Significant Accounting Policies** (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

E. Cash and Cash Equivalents

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

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

Cash that is held by MEORC (See Note 14) is recorded as "Cash with Fiscal Agents."

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the County invested in nonnegotiable certificates of deposit, money market savings account, federal agency securities, money market mutual funds, and STAROhio. Investments are reported at cost, cept for STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 amounted to $614,280, which includes $521,217 assigned from other County funds.

F. Restricted Assets

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

**Note 2 – Summary of Significant Accounting Policies** (continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-term Obligations

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

M. Fund Balance Reserves

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

N. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The government-wide statement of net assets reports $9,766,451 of restricted net assets, of which none is restricted by enabling legislation.

**Note 2 – Summary of Significant Accounting Policies** (continued)

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

O. Interfund Transactions

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

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

**Note 3 – Restatement of Fund Balance**

Prior to 2006, Perry County had not previously recognized balances or activity that had been passed through MEORC on behalf of the County. As of December 31, 2005, MEORC maintained a carryover balance of $876,636, which should be presented on the County's financial statements as Cash with Fiscal Agents. This resulted in an adjustment to Governmental Net Assets and Fund Balance Restricted for Health in the MRDD Fund as follows:

| | 12/31/2005 Original | Adjustment | 12/31/2005 Adjusted |
|---|---|---|---|
| Governmental Net Assets | $10,538,556 | $876,636 | $11,415,192 |
| Fund Balance | 1,840,978 | 876,636 | 2,717,614 |

**Note 4 – Accountability and Compliance**

1. The following budgetary violations were noted:

    A. The Board of County Commissioners did not adopt a complete tax budget for 2006.
    B. The County Auditor did not properly certify unencumbered beginning fund balances.
    C. The County personnel failed to obtain the County Auditor's certification of the availability of funds prior to purchase commitments.
    D. Appropriations exceeded estimated resources in the following funds at December 31, 2006:

**Note 4 – Accountability and Compliance** (continued)

| Fund | Amount |
|---|---|
| Public Assistance | $463,028 |
| Litter Control | 38,726 |
| Child Support Enforcement | 10,175 |
| Clerk of Court Computerization | 653 |
| IV-D Child Support | 33,072 |
| Building Water and Airport Bond Retirement | 113,348 |
| CDBG 04 | 500,775 |
| CDBG | 273,302 |
| Retired Senior Volunteer Program | 2,121 |
| Capital Improvement Issue II | 325,000 |
| Litter Recycling/Reduction | 5,647 |
| Juvenile Computer Legal Research | 354 |
| Probate Computer | 1,437 |
| Juvenile Computerization | 2,332 |
| Recorder Equipment | 5,772 |
| Certificate of Title Administration | 11,710 |
| Sheriff Service National Forest | 2,141 |
| Sheriff CCW | 5,665 |
| 911 | 371 |
| Common Pleas Medication Program | 1,952 |
| Perry County Transit System | 37,507 |
| Sheriff Litter Grant | 90 |
| DARE | 8,660 |
| Juvenile Drug Court | 9,692 |

E. The following funds had negative fund balances in the following ranges at each month's end during 2006: (continued)

| Fund | From | To |
|---|---|---|
| General | $4,170 | $4,170 |
| Public Assistance | $16,099 | $393,808 |
| Marriage License | $1,568 | $7,464 |
| WIA | $15,511 | $29,195 |
| Real Estate Assessment | $34,608 | $65,951 |
| Child Support Enforcement | $653 | $653 |
| Clerk of Courts Computer | $882 | $882 |
| IV-D Child Support | $3,404 | $54,390 |
| CDBG 04 | $3,989 | $177,090 |
| CDBG | $40,957 | $58,450 |
| Retired Seniors Volunteer Program | $360 | $2,938 |
| Senior Center | $10,714 | $25,319 |
| Office of Homeland Security/EMA | $1,551 | $3,653 |
| Drop Off Recycling Program | $482 | $483 |
| Certificate of Title Administration | $7,586 | $21,532 |
| 911 | $1,846 | $5,067 |
| Transit System | $3,448 | $8,400 |
| Perry County Airport | $12,018 | $18,532 |
| Juvenile Drug Court | $2,112 | $2,112 |

**Note 4 – Accountability and Compliance** (continued)

F. The following funds had appropriations which exceeded the beginning balance plus actual receipts:

| Fund | Amount |
|---|---|
| Clerk of Courts Computerization | ($4,593) |
| EMA/Office of Homeland Security | ($53,752) |
| Perry County Airport | ($501,601) |

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

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General and each major Special Revenue Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

| | |
|---|---|
| General Fund | $78,292 |
| Major Special Revenue Funds: | |
| Job and Family Services | 180,000 |
| MRDD Fund | 217,020 |
| Auto License and Gasoling Tax Fund | 454,914 |

**Note 6 – Deposits and Investments**

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

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

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

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

**Note 6 – Deposits and Investments** (continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAROhio).

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

1. Bonds of the State of Ohio;

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

3. Obligations of the County.

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

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

**Note 6 – Deposits and Investments** (continued)

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the County's deposits was $8,713,725 and the bank balance was $9,475,441. Of the bank balance $612,308 was covered by Federal depository insurance and $8,863,133 was exposed to custodial credit risk because it was uninsured and uncollateralized. This does not include $871,414 in Cash with Fiscal Agents which is held by MEORC which cannot be disclosed by risk because it is commingled with moneys from other Counties.

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

**Investments**

Investments are reported at fair value. As of December 31, 2006, the County had the following investments:

| | Fair Value | Maturity |
|---|---|---|
| Money Market Mutual Funds | $105,154 | 7 Days |
| Federal National Mortgage Association Note | 199,000 | June 14, 2007 |
| Federal Home Loan Mortgage Securities | 274,574 | February 14, 2008 |
| Federal National Mortgage Association Note | 532,662 | January 26, 2009 |
| STAROhio | 4,956,983 | Average 35 Days |
| Total Portfolio | $6,068,373 | |

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

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

**Note 6 – Deposits and Investments** (continued)

***Concentration of Credit Risk*** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County's investment policy places no limit on the amount it may invest in any one issuer. The following is the County's allocation as of December 31, 2006:

| Investment Issuer | Percentage of Investments |
|---|---|
| Money Markets | 1.73% |
| Federal Home Loan Mortgage Securities | 4.52% |
| Federal National Mortgage Association Note | 12.06% |
| STAROhio | 81.69% |

**Note 7 – Permissive Sales and Use Tax**

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

**Note 8 – Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for machinery and equipment and 23 percent for inventory.

The full tax rate for all County operations for which 2006 property tax receipts were based upon was $16.90 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

| | |
|---|---|
| Real Property | $350,362,680 |
| Public Utility Tangible Personal Property | 42,219,650 |
| Tangible Personal Property | 16,412,020 |
| Total Assessed Value | $408,994,350 |

**Note 8 – Property Taxes** (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. The due dates for 2006 were April 12 and August 11.

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

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

**Note 9 – Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for insurance coverage. The CORSA program has a $2,500 deductible. Coverage provided by CORSA is as follows:

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

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

For 2006, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan.

**Note 9 – Risk Management** (continued)

The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

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

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

**Note 10 – Defined Benefit Pension Plans**

The County participates in the Ohio Public Employee Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earning. The combined plan is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 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. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 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, 2006, 2005, and 2004 were $957,422, $933,782, and $914,263 respectively; 100 percent has been contributed for 2006, 2005 and 2004. There were no contributions made by plan members to the member-directed plan for 2006.

## Note 11 – Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

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

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 that were used to fund postemployment benefits were $461,453. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

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

## Note 12 – Long Term Obligations

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

| | Interest Rate | Principal Outstanding 12/31/2005 | Additions | Deductions | Principal Outstanding 12/31/2006 | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | |
| General Obligation Bonds: | | | | | | |
| 2001 - Various Purpose Improvement Bonds | 3.6%-5.1% | $3,920,000 | $0 | $170,000 | $3,750,000 | $180,000 |
| Total Governmental Activities | | $3,920,000 | $0 | $170,000 | $3,750,000 | $180,000 |
| **Business Type Activities** | | | | | | |
| Ohio Public Works Commission Notes: | | | | | | |
| 1994 Thornport Water Project | 2.00% | $385,078 | $0 | $37,192 | $347,886 | $37,940 |
| 2002 Water Systems Improvement Project | 2.00% | 65,903 | 0 | 0 | 65,903 | 0 |
| 2002 Sanitary Sewer Improvements II Project | 2.00% | 236,555 | 0 | 0 | 236,555 | 0 |
| Total Ohio Public Works Commission Notes | | 687,536 | 0 | 37,192 | 650,344 | 37,940 |
| Ohio Water Development Authority Notes: | | | | | | |
| 1998 Buckeye Lake Water Lines | 5.76% | 503,862 | 0 | 55,663 | 448,199 | 58,269 |
| 2000 Water Line Construction | 6.41% | 102,127 | 0 | 2,872 | 99,255 | 3,059 |
| 2000 Robinwood Estates Sewer Improvments | 6.03% | 55,106 | 0 | 1,479 | 53,627 | 1,569 |
| 2000 Crown Wehrle WWTP Improvments | 6.03% | 24,139 | 1,802 | 0 | 25,941 | 0 |
| 2001 Water Meter Installation | 1.50% | 263,473 | 0 | 8,354 | 255,119 | 8,480 |
| 2001 Water Design | 5.55% | 20,956 | 13,072 | 0 | 34,028 | 0 |
| 2001 Wastewater Design | 1.00% | 1,635,266 | 73,647 | 0 | 1,708,913 | 0 |
| 2002 Ceramic Road Area Sewers | 1.00% | 692,034 | 0 | 21,980 | 670,054 | 22,202 |
| 2003 Northern Perry Sewers Phase I | 1.00% | 1,070,848 | 0 | 33,318 | 1,037,530 | 33,652 |
| 2003 Wastewater Planning | 5.50% | 310,178 | 28,395 | 0 | 338,573 | 0 |
| 2004 Waterline Extension | 1.00% | 483,505 | 0 | 14,167 | 469,338 | 14,309 |
| 2004 Waterline Extension Phase 1B | 1.00% | 487,532 | 2,396 | 7,022 | 482,906 | 14,150 |
| 2005 Waterline Extension Phase 1 C | 1.00% | 3,318,968 | 183,464 | 615,456 | 2,886,976 | 0 |
| Total Ohio Water Development Authority Notes | | 8,967,994 | 302,776 | 760,311 | 8,510,459 | 155,690 |
| Total Business-Type Activities | | $9,655,530 | $302,776 | $797,503 | $9,160,803 | $193,630 |

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

The Various Purpose Improvement Bonds maturing on or after December 1, 2011 are subject to prior redemption on or after December 1, 2010 by and at the sale option of the County, 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:

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

**Note 12 – Long Term Obligations** (continued)

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

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

The Ohio Public Works Commission (OPWC) Thornport Water Project Note was issued in 1994 in the amount of $734,000 for the purpose of financing a water improvement project in the Thornport area. The loan will be repaid in semiannual installments of $22,354, including interest, over 20 years. This loan is collateralized by utility receipts. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) Water System Improvement Project Note was issued in 2002 for the purpose of financing improvements to the water system. OPWC has authorized up to $300,000 for the project; however, only $65,903 had been drawn down as of December 31, 2006. 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, 2006, $236,555 had been drawn down. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

The Ohio Water Development Authority (OWDA) Water Line Construction Note relates to the extension of water lines of the water system. This loan will be repaid in semiannual installments of $4,686, including interest, over twenty five years. 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, 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) Crown Wehrle WWTP Improvements Loan is for improvements at the wastewater treatment plant mandated by the Ohio Environmental Protection Agency. This loan will be repaid in annual installments over twenty five years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**Note 12 – Long Term Obligations** (continued)

The Ohio Water Development Authority (OWDA) Water Design Note relates to an engineering design loan for the Northern Perry County Wastewater System. As of December 31, 2005, the County had drawn down $1,553,401 and transferred $310,000 of the loan to the Waterline Extension and Waterline Extension Phase IB notes described below. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements. In 2005, $1,222,445 of principal was retired with proceeds from the Waterline Extension Phase 1C Note. As of December 31, 2006, the outstanding balance of the Water Design Notes was $34,028.

The Ohio Water Development Authority (OWDA) Wastewater Design Loan relates to a project for the completion of the engineering design for the Northern Perry County Water System and consolidation of all outstanding planning loans with the Northern Perry County Water System. As of December 31, 2006, the County had drawn down $1,708,913. This loan will be repaid over five years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Ceramic Road Area Sewers Note relates to a project to construct a conventional gravity collection system and sewage treatment plant in the Ceramic Road area. This loan will be repaid in semiannual installments of $14,423, including interest, over thirty years. 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, 2006, the County had drawn down $1,136,495 and made principal payments in the amount of $98,965. This loan will be repaid over 30 years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Wastewater Planning Note relates to a planning loan for the Northern Perry County Sewer District. As of December 31, 2006, the County had drawn down $338,573 and no principal or interest payments were made during 2006. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Waterline Extension, Waterline Extension Phase 1B, and Waterline Extension Phase 1C Notes relates to a planning loan for extending water lines. As of December 31, 2006, the County has drawn down $490,536, $489,928, and $3,502,433, respectively and principal payments of $14,167, $7,031 and $615,456, respectively were made on the Waterline Extension Notes during 2006. The County has agreed to set utility rates sufficient to cover the debt service requirements of these notes.

During 2006, interest in the amount of $148,897 was capitalized on the principal balances of the County's OWDA notes.

The OWDA notes listed above, except for the Buckeye Lake Water Lines, Robinwood Estates Sewer Improvements, Water Meter Installation notes, Water Line Construction Note, Ceramic Road Area Sewers Note, Northern Perry County Sewers Phase I Note, Water Line Extension Note and Water Line Extension Phase 1B Note, are not included in the following amortization schedule since OWDA has not established a payment schedule. The OPWC Water System Improvement Project Note and the OPWC Sanitary Sewer Improvements II Project Note are not included in the following amortization schedule since principal on these notes has not been completely drawn down. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA and OPWC notes without payment schedules:

**Note 12 – Long Term Obligations** (continued)

| Year Ended December 31, | General Obligation Bonds | Interest |
|---|---|---|
| 2007 | $180,000 | $182,095 |
| 2008 | 185,000 | 174,715 |
| 2009 | 195,000 | 166,945 |
| 2010 | 205,000 | 158,658 |
| 2011 | 210,000 | 149,842 |
| 2012-2016 | 1,220,000 | 587,663 |
| 2017-2021 | 1,555,000 | 246,075 |
| Total | $3,750,000 | $1,665,993 |

| Year Ended December 31, | Ohio Water Development Authority Notes | Interest |
|---|---|---|
| 2007 | $156,289 | $65,524 |
| 2008 | 160,948 | 60,865 |
| 2009 | 165,831 | 55,981 |
| 2010 | 170,952 | 50,860 |
| 2011 | 176,323 | 45,489 |
| 2012-2016 | 652,925 | 159,738 |
| 2017-2021 | 574,749 | 110,886 |
| 2022-2026 | 596,169 | 65,941 |
| 2027-2031 | 583,975 | 30,898 |
| 2032-2036 | 268,442 | 4,870 |
| Total | $3,506,603 | $651,052 |

| Year Ended December 31, | Ohio Public Works Commission | Interest |
|---|---|---|
| 2007 | $37,940 | $6,769 |
| 2008 | 38,702 | 6,006 |
| 2009 | 39,480 | 5,228 |
| 2010 | 40,274 | 4,435 |
| 2011 | 41,083 | 3,625 |
| 2012-2016 | 150,407 | 6,077 |
| Total | $347,886 | $32,140 |

## Note 13 – Transfers and Advances

Interfund transfers for the year ended December 31, 2006, consisted of the following:

| Transfer to | General Fund | MRDD | Water Fund | Total |
|---|---|---|---|---|
| Major Funds: | | | | |
| Job and Family Services | $234,842 | $0 | 0 | $234,842 |
| Other Non-Major | | | | |
| Governmental Funds | 191,696 | 268,215 | 112,200 | 572,111 |
| Total All Funds | $426,538 | $268,215 | $112,200 | $806,953 |

Advances for the year ended December 31, 2006, consisted of the following:

| Advance to | General Fund | Other Nonmajor Governmental | Total |
|---|---|---|---|
| Major Funds: | | | |
| General Fund | $0 | $1,234 | $1,234 |
| Other Non-Major | | | |
| Governmental Funds | 9,583 | 0 | 9,583 |
| Total All Funds | $9,583 | $1,234 | $10,817 |

The advances are due to lags between the dates when goods and services are provided, transactions recorded in the accounting system, and payments between funds are made. Also, short term loans were advanced from the General Fund to the Child Support Enforcement, Law Enforcement Overtime Grant and Delinquent Tax Collection Special Revenues Funds and Building, Water and Airport Debt Service Fund.

## Note 14 – Jointly Governed Organizations

### A. Buckeye Hills-Hocking Valley Regional Development District

The Buckeye Hills-Hocking Valley Regional Development District (the District) serves as the Area Agency on Aging for Athens, Hocking, Meigs, Monroe, Morgan, Noble, Perry and Washington Counties. The District was created to foster a cooperative effort in regional planning, programming and implanting plans and programs. The District is governed by a fifteen member board of directors. The Board is composed of one county commissioner from each county, one member from the City of Athens, one member from the City of Marietta, four at-large members appointed from the ten government members, and one member from the minority sector.

The Board has total control over budgeting, personnel, and all other financial matters. The continued existence of the District is not dependent upon the County's continued participation and no equity interest exists.

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

The County is a member of the Coshocton-Fairfield-Licking-Perry Solid Waste District (the District). The purpose of the District is to make disposal of waste in the four-county area more comprehensive in terms of recycling, incinerating, and land filling. The District was created in 1989 as required by the Ohio Revised Code. The District is governed and operated through three groups. A twelve-member board of directors, composed of three commissioners from each county, is responsible for the District's financial matters.

**Note 14 – Jointly Governed Organizations** (continued)

B. Coshocton-Fairfield-Licking-Perry Solid Waste District (continued)

Financial records are maintained by the Licking County Auditor. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. Although the County contributed amounts to the District at the time of its creation, no additional contributions from the County are anticipated. A twenty-one member policy committee, composed of five members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a sixteen-member Technical Advisory Council, whose members are appointed by the policy committee.

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

C. Mental Health and Recovery Services 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, Muskingum, Noble, and Perry Counties and operates under the direction of an eighteen-member appointed Board. Each participating county has agreed to levy a tax within their county to assist in the operation of the Board. The Board also directly receives state and federal funding for its operations. Although the Muskingum County Auditor and County Treasurer are responsible for fiscal control of the resources of the Board, the Board is responsible for budgeting and accounting for the resources at its disposal. Membership on the Board is based upon Ohio law. The continued existence of the Board is not dependent upon the County's continued participation and no equity interest exists.

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

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

E. Perry County Family and Children First Council

The Perry County Family and Children First Council (the Council) is a jointly governed organization created under Ohio Rev. Code Section 121.37. The Council is made up of the following members: the Director of the Board of Alcohol, Drug Addiction, and Mental Health Services, the Health Commissioner, or the Commissioner's designee, of the Board of Health of each city and general health district in the County; the Director of the Department of Job and Family Services, the Director of the Perry County Children Services Board, the Superintendent of the Perry County Mental Retardation and Development Disabilities, the Juvenile Court Judge, Superintendent of Northern Local Schools, the New Lexington City Administrator, the President of the Perry County Commissioners, the State Department of Youth Services Regional representative, representative from the County Head Start Agencies, a representative of the County's Early Intervention Collaborative established pursuant to the federal early intervention program operated under the "Individuals with Disabilities Act of 2004", and at least three individuals representing the interests of families in the County. The Perry County Auditor serves as the fiscal agent for the Council. The Perry Mental Retardation and Development Disabilities Board serves as the administrative agent for the Council. The continued existence of the Council is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

**Note 14 – Jointly Governed Organizations** (continued)

F. Local Workforce Investment Board

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

This is accomplished by bringing together business, education, and labor leaders to access workforce needs of employers and training/education needs of job seekers. The LWIB is also charged with establishing fiscal control and fund account procedures to ensure the proper disbursement of and accounting for all funds received through the Workforce Investment Act. The Board consists of 27members representing the following counties: Athens, Hocking, Meigs, Perry and Vinton. Each county has a minimum of one Chief Elected Official (CEO) and his/her appointees to the board. Appointees of the CEO are local business leaders, educators, as well as State mandated representatives from the respective county. In 2006, the County made no contributions to the Board. Continued existence of the Board is not dependent upon the County's continued participation, no equity interest exists, and no debt is outstanding.

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

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

**Note 15 – Insurance Purchasing Pools**

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

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

## Note 16 - Contingencies

A. Grants

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

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at December 31, 2006.

B. Litigation

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

## Note 17 – PERCO, Inc

The following are the PERCO, Inc. notes to the financial statements for the year ended December 31, 2006:

A. Nature of Activities

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

An ongoing agreement with the Perry County Board of Mental Retardation and Developmental Disabilities (currently renewed through January 9, 2008) provides PERCO with supervision and programming, and in-kind support in the form of personnel salaries and benefits.

B. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of PERCO have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

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

**Note 17 – PERCO, Inc** (continued)

C. Cash

As of December 31, 2006 and 2005, cash consisted of the following:

| | 2006 | 2005 |
|---|---|---|
| Cash checking account - Peoples National Bank | $131,460 | $143,926 |
| Certificates of Deposit | 307,133 | 295,664 |
| Total Cash | $438,593 | $439,590 |

At December 31, 2006 and 2005, $94,985 and $98,467, respectively, of cash was not covered by FDIC insurance.

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

During 2006, deposits totaled $81,746 and disbursements totaled $84,863. Since PERCO is only the custodian of the checking account and does not control the activity in the account, it is not included in the statements of cash receipts and disbursements.

D. Concentrations

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

In addition, PERCO received 46% and 41% of its cash receipts during 2006 and 2005, respectively, from a recycling contract with Perry County.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED DECEMBER 31, 2006**

| **FEDERAL GRANTOR**<br>*Pass-Through Grantor*<br>Program Title | Pass Through Grantor/Award Number | Federal CFDA Number | Expenditures | Noncash Expenditures |
|---|---|---|---|---|
| **UNITED STATES DEPARTMENT OF AGRICULTURE** | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Food Donation Program | N/A | 10.550 | | $36,204 |
| Nutrition Cluster: | | | | |
| School Breakfast Program | N/A | 10.553 | $15,328 | |
| National School Lunch Program | N/A | 10.555 | 26,359 | |
| Total Nutrition Cluster | | | 41,687 | 36,204 |
| Total United States Department of Agriculture | | | 41,687 | 36,204 |
| **UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | | |
| *Passed Through Ohio Department of Development:* | | | | |
| Community Development Block Grant - State Program | B-F-03-059-01 | 14.228 | 666 | |
| | B-F-04-059-01 | 14.228 | 40,493 | |
| | B-F-05-059-01 | 14.228 | 265,106 | |
| | B-X-02-059-01 | 14.228 | 19,013 | |
| Total Community Development Block Grants/States Program | | | 325,278 | 0 |
| HOME Investments Partership Program | B-C-05-059-01 | 14.239 | 278,113 | |
| Total United States Department of Housing and Urban Development | | | 603,391 | 0 |
| **UNITED STATES DEPARTMENT OF JUSTICE** | | | | |
| *Direct Program:* | | | | |
| Bulletproof Vest Partnership Program | 02012664 | 16.607 | 247 | |
| Total United States Department of Justice | | | 247 | 0 |
| **UNITED STATES DEPARTMENT OF TRANSPORTATION** | | | | |
| *Direct Program:* | | | | |
| Airport Improvement Program | 3-39-0059-0304 | 20.106 | 29,513 | |
| | 3-39-0059-0405 | | 2,500 | |
| | 3-39-0059-0506 | | 30,723 | |
| Total Airport Improvement Program | | | 62,736 | 0 |
| *Passed Through Ohio Department of Transportation:* | | | | |
| Highway Planning and Construction | 22587 | 20.205 | 21,633 | |
| | 75206 | 20.205 | 227,092 | |
| | 75207 | 20.205 | 209,932 | |
| Total Highway Planning and Construction | | | 458,657 | 0 |
| Formula Grants for Other Than Urbanized Areas | RPT-4064-022-031 | 20.509 | 50,017 | |
| *Passed Through Ohio Department of Public Safety:* | | | | |
| State and Community Highway Safety | N/A | 20.600 | 21,727 | |
| Total United States Department of Transportation | | | 593,137 | 0 |
| **UNITED STATES ELECTION ASSISTANCE COMMISSION** | | | | |
| *Passed through Ohio Secretary of State:* | | | | |
| Voter Education and Poll Worker Program | 04-SOS-HAVA-64 | 39.011 | 350 | |
| Total United States Election Assistance Commission | | | 350 | 0 |
| **CORPORATION FOR NATIONAL AND COMMUNITY SERVICE** | | | | |
| *Direct Program:* | | | | |
| Retired and Senior Volunteer Program | 04SRNOH012 | 94.002 | 39,123 | |
| Total Corporation for National and Community Service | | | 39,123 | 0 |

(continued)

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)

| **FEDERAL GRANTOR**<br>*Pass-Through Grantor*<br>Program Title | Pass Through Grantor/Award Number | Federal CFDA Number | Expenditures | Noncash Expenditures |
|---|---|---|---|---|
| **UNITED STATES DEPARTMENT OF HOMELAND SECURITY** | | | | |
| *Passed Through Ohio Department of Public Safety:* | | | | |
| State Domestic Preparedness Equipment Support Program | 2004-GC-T4-0025 | 97.004 | $7,304 | |
| Homeland Security Grant Program | 2005-GC-T5-0001 | 97.067 | 2,500 | |
| | 2005-GE-T5-0001 | | 83,115 | |
| Total Homeland Security Grant Program | | | 85,615 | $0 |
| Public Assistance Grants | 1580 | 97.036 | 6,849 | |
| Total United States Department of Homeland Security | | | 99,768 | 0 |
| **UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | | |
| *Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:* | | | | |
| Social Services Block Grant | N/A | 93.667 | 39,220 | |
| State Children's Health Insurance Program | N/A | 93.767 | 62 | |
| Medical Assistance Program | N/A | 93.778 | 226,518 | |
| Total United States Department of Health and Human Services | | | 265,800 | 0 |
| **UNITED STATES DEPARTMENT OF LABOR** | | | | |
| *Passed Through WIA Area 14:* | | | | |
| Workforce Investment Act Cluster: | | | | |
| Workforce Investment Act - Youth | N/A | 17.259 | 165,600 | |
| Workforce Investment Act - Youth Administrative | N/A | 17.259 | 9,042 | |
| Workforce Investment Act - Youth Total | | | 174,642 | 0 |
| Workforce Investment Act - Adult | N/A | 17.258 | 171,082 | |
| Workforce Investment Act - Adult | N/A | 17.258 | 9,342 | |
| Workforce Investment Act - Adult Total | | | 180,424 | 0 |
| Workforce Investment Act - Dislocated Worker | N/A | 17.260 | 171,717 | |
| Workforce Investment Act - Dislocated Worker | N/A | 17.260 | 9,376 | |
| Workforce Investment Act - Dislocated Worker Total | | | 181,093 | 0 |
| Total Workforce Investment Act Cluster | | | 536,159 | 0 |
| Total United States Department of Labor | | | 536,159 | 0 |
| **Total Federal Awards Expenditures** | | | $2,179,662 | $36,204 |

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

## NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
## FOR THE YEAR ENDED DECEMBER 31, 2006

### NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

### NOTE B – SUBRECIPIENTS

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

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

### NOTE C – CHILD NUTRITION CLUSTER

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

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under this program was $342,204.

### NOTE E – MATCHING REQUIREMENTS

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

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Mary Taylor, CPA
Auditor of State

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

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 1, 2008, wherein we noted that the County uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financials statements of PERCO Inc. as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

**Internal Control Over Financial Reporting**

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

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

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

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001, 2006-006, 2006-008, and 2006-012 through 2006-018.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-012 are also material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated February 1, 2008.

**Compliance and Other Matters**

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards,* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-011. We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated February 1, 2008.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies and pass-through agencies. We intend it for no one other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2008

Mary Taylor, CPA
Auditor of State

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

Perry County
105 North Main Street
New Lexington, Ohio 43764

To the Board of County Commissioners:

**Compliance**

We have audited the compliance of Perry County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings as item 2006-019.

**Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as finding 2006-019 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We did not consider the deficiency described in the accompanying Schedule of Findings to be a material weakness.

The County's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2008

PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2006

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| *(d)(1)(i)* | **Type of Financial Statement Opinion** | Unqualified |
| *(d)(1)(ii)* | **Were there any material control weaknesses reported at the financial statement level (GAGAS)?** | Yes |
| *(d)(1)(ii)* | **Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | Yes |
| *(d)(1)(iii)* | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | Yes |
| *(d)(1)(iv)* | **Were there any material internal control weaknesses reported for major federal programs?** | No |
| *(d)(1)(iv)* | **Were there any other significant deficiencies in internal control reported for major federal programs?** | Yes |
| *(d)(1)(v)* | **Type of Major Programs' Compliance Opinion** | Unqualified |
| *(d)(1)(vi)* | **Are there any reportable findings under § .510?** | Yes |
| *(d)(1)(vii)* | **Major Programs (list):** | Community Development Block Grant<br>CFDA No. 14.228<br>Workforce Investment Act Cluster<br>CFDA No. 17.258, 17.259, 17.260<br>Highway Planning and Construction<br>CFDA 20.205 |
| *(d)(1)(viii)* | **Dollar Threshold: Type A\B Programs** | Type A: > $ 300,000<br>Type B: all others |
| *(d)(1)(ix)* | **Low Risk Auditee?** | No |

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

### FINDING NUMBER 2006-001

**Noncompliance Finding and Material Weakness – Vacation Leave**

Perry County Policy and Procedures Manual, Section 6.2(c), adopted on August 3, 1995 states that vacation leave is to be taken within the 12 months following the employee's anniversary date. However, the appointing authority may authorize an employee to accumulate vacation leave for up to three years under special circumstances. This accumulation of vacation time must be approved in advance and must be in response to special circumstances as outlined in a written request submitted by the employee.

Section 6.2(e) of this policy states that an employee with at least one year of service is entitled to compensation, at his/her current rate of pay, for the pro-rated portion of any earned but unused vacation leave for the current year to his/her credit at the time of separation from the Commissioner's office. In addition, the employee may be compensated for any unused vacation leave accrued to his/her credit with the permission of the appointing authority for the three (3) years immediately preceding the last anniversary date of employment.

Our audit covering the year ended December 31, 2005 included a noncompliance citation with the aforementioned policy since most departments governed by this policy allowed employees to accumulate vacation leave balances beyond 12 months of their anniversary date without submitting a written request and without otherwise obtaining the appointing authority's authorization to do so, and since numerous employees carried vacation leave balances in excess of what would be earned in three years. We recommended the Perry County Board of Commissioners and Prosecuting Attorney initiate the appropriate steps to assure that each employee's vacation balance was adjusted to the amount that was authorized by the appropriate governing policy for each department.

In response to our noncompliance citation, the County Commissioners indicated that a revised policy handbook was adopted specifying maximum amounts of accumulated vacation and giving a deadline in which all vacation time had to be used or purchased by or the time was surrendered. The County Commissioners indicated that they believed all employees would be within their limits prior to February 2007.

Perry County Policy and Procedures Handbook, Section 6.2(c), adopted on January 27, 2006 states "Employees are expected to use accrued vacation leave each year prior to the employee's next anniversary date. However, an employee may carry over earned vacation leave for a period not to exceed three years from the employee's anniversary date. Vacation credit in excess of three years will be eliminated. In the good faith effort to ensure employees are provided the opportunity to utilize any vacation accrued in excess of their three year allotment, vacation time will not be eliminated until one (1) year from the date the document is approved by the Board of Commissioners." Policies adopted by other appointing authorities limited the vacation leave balances to what would be earned in three years as well.

Our review of the 2006 and 2007 vacation records indicated that vacation balances were not adjusted to amounts that were authorized by either the existing governing policy for each department, or the previous governing policy adopted August 3, 1995 in the case of those employees following the County Commissioner's policies.

As of the pay period ended February 3, 2007 (the pay period which includes the County Commissioner's January 27, 2007 deadline to utilize all vacation in excess of the three year limitation), numerous employees still carried vacation leave balances in excess of what would be earned in three years. As a result, noncompliance with the aforementioned County policy occurred.

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

**FINDING NUMBER 2006-001 (Continued)**

**Noncompliance Finding and Material Weakness – Vacation Leave (Continued)**

Based on the noncompliance, we determined the adjustment necessary to bring each employee's balance to the 3 year maximum as of February 3, 2007. Once the adjustment was calculated at February 3, 2007, we then considered the vacation used and earned to arrive at what the adjusted vacation balance should be as of the pay period ended November 10, 2007. The following table demonstrates the balances and necessary adjustments.

| County Employee | Actual Vacation Balance 2/03/2007 | Vacation Amount In Excess Of Maximum | Maximum Amount Allowed at 2/03/2007 | Vacation Earned 2/04/2007 Through 11/10/2007 | Vacation Used 2/04/2007 Through 11/10/2007 | Authorized Vacation Balance at 11/10/2007 | Actual Vacation Balance At 11/10/07 | Net Vacation Adjustment Required At 11/10/07 |
|---|---|---|---|---|---|---|---|---|
| Leasa Walters | 504.48 | 24.48 | 480.00 | 112.70 | 152.50 | 440.20 | 475.99 | 35.79 |
| Patricia Grey | 466.96 | 106.96 | 360.00 | 41.40 | 96.00 | 305.40 | 462.96 | 157.56 |
| Jackie Hoover | 475.22 | 52.22 | 423.00 | 48.87 | 154.00 | 317.87 | 429.72 | 111.85 |
| Katherine O'Brien | 512.89 | 89.89 | 423.00 | 48.87 | 224.00 | 247.87 | 397.39 | 149.52 |
| Kelly Green | 469.44 | 109.44 | 360.00 | 42.40 | 143.00 | 259.40 | 418.44 | 159.04 |
| Launfull Salyer | 1217.50 | 737.50 | 480.00 | 142.30 | 497.50 | 124.80 | 897.72 | 772.92 |
| Melvin Hutmire | 438.11 | 78.11 | 360.00 | 44.80 | 133.00 | 271.80 | 397.11 | 125.31 |
| Bruce Reavley | 469.87 | 109.87 | 360.00 | 69.00 | 184.00 | 245.00 | 377.87 | 132.87 |
| Judy Stimmel | 385.64 | 70.64 | 315.00 | 52.20 | 85.00 | 282.20 | 381.14 | 98.94 |
| Ron Patterson | 242.39 | 2.39 | 240.00 | 33.10 | 41.00 | 232.10 | 263.47 | 31.37 |
| Jerry Rehart | 649.88 | 289.88 | 360.00 | 83.40 | 56.00 | 387.40 | 735.68 | 348.28 |
| Dave Elekes | 273.59 | 33.59 | 240.00 | 24.80 | 84.00 | 180.80 | 251.68 | 70.88 |
| Kim Beach | 923.00 | 443.00 | 480.00 | 124.00 | 217.00 | 387.00 | 829.55 | 442.55 |
| Frank Fondale | 824.00 | 344.00 | 480.00 | 12.20 | 36.00 | 456.20 | 911.92 | 455.72 |
| Carl Harper | 1227.00 | 747.00 | 480.00 | 74.60 | 104.00 | 450.60 | 1246.79 | 796.19 |
| Darron Rambo | 363.00 | 3.00 | 360.00 | 36.80 | 101.00 | 295.80 | 354.00 | 58.20 |
| Mark Steen | 543.00 | 303.00 | 240.00 | 113.60 | 44.00 | 309.60 | 587.73 | 278.13 |
| Tiffany Barber | 789.00 | 309.00 | 480.00 | 0.00 | 0.00 | 480.00 | 913.09 | 433.09 |
| Richard Cline | 391.00 | 31.00 | 360.00 | 0.00 | 0.00 | 360.00 | 483.05 | 123.05 |
| Elizabeth Glass | 364.75 | 4.75 | 360.00 | 16.00 | 16.00 | 360.00 | 440.75 | 80.75 |
| Pam Hartley | 737.48 | 257.48 | 480.00 | 77.45 | 148.50 | 408.95 | 712.98 | 304.03 |
| Ruth Stalter | 406.90 | 0.00 | 480.00 | 95.30 | 24.00 | 478.20 | 506.90 | 28.70 |
| Rita Spicer | 381.35 | 21.35 | 360.00 | 41.40 | 99.00 | 302.40 | 374.35 | 71.95 |
| Jackie Toeller | 1086.48 | 663.48 | 423.00 | 78.80 | 116.00 | 385.80 | 1078.98 | 693.18 |
| Total Net Adjustment | | | | | | | | 5,959.87 |

We recommend the County officials take the appropriate action to assure the vacation balances are adjusted as of November 10, 2007 for each of the employees listed above, by the amounts listed above.

The net vacation adjustments required at November 10, 2007 were made to the vacation balances at the end of the pay period ended January 5, 2008. Due to the timing difference of when the Auditor of State completed work on the adjustments (through November 10, 2007) and the date on which adjustments were actually posted (pay period ended January 5, 2008), certain employees had accumulated additional vacation leave for the intervening period from November 10, 2007 through January 5, 2008 which they were not eligible and additional adjustments were necessary and made as follows:

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

**FINDING NUMBER 2006-001 (Continued)**

**Noncompliance Finding and Material Weakness – Vacation Leave (Continued)**

| | |
|---|---|
| Ron Patterson | 1.5 hours |
| Frank Fondale | 1 hour |
| Tiffany Barber | 11.65 hours |
| Richard Cline | 4.6 hours |
| Elizabeth Glass | 13.80 hours |

**Officials' Response (excerpt from a letter prepared by the Perry County Prosecuting Attorney):**

This is to advise you that I have reviewed the draft audit report for Perry County, Ohio for the year ended December 31, 2006 as it pertains to vacation adjustments for its employees. I take issue with the interpretation of the county policy for maximum accrual of vacation balances as used by the State Auditor's office to make finding number 2006-001.

The State Auditor's office interpreted the county policy to mean that an employee at no time can accumulate vacation leave of more than three years at any time. It is my opinion that the policy as written, allows for accumulation of vacation leave in excess of three years between an employee's anniversary dates. If the employee has more than three years of vacation leave accumulated on his or her anniversary date, then an adjustment would be made dropping the accumulation down to three years. I have discussed this interpretation with the Board of Commissioners and the membership of the Board has advised me that my interpretation is what they intended when they adopted the policy.

I urge the Auditor of State's office to re-visit this issue and to adopt the interpretation which I have herein above set forth.

**FINDING NUMBER 2006-002**

**Findings for Recovery Repaid under Audit**

Perry County Policy and Procedures Manual, Section 6.2(c), adopted on August 3, 1995 requires vacation leave to be taken within the 12 months following the employee's anniversary date. However, the appointing authority may authorize an employee to accumulate vacation leave for up to three years under special circumstances. This accumulation of vacation time must be approved in advance and must be in response to special circumstances as outlined in a written request submitted by the employee.

Section 6.2(e) of this policy states that an employee with at least one year of service is entitled to compensation, at his/her current rate of pay, for the pro-rated portion of any earned but unused vacation leave for the current year to his/her credit at the time of separation from the Commissioner's office. In addition, the employee may be compensated for any unused vacation leave accrued to his/her credit with the permission of the appointing authority for the three (3) years immediately preceding the last anniversary date of employment.

On December 1, 2006, Perry County Auditor's office employees Diane Shriner and Rita Bolyard were each paid for 200 hours of vacation leave. On January 26, 2007, Diane Shriner and Rita Bolyard were each paid for 80 hours of vacation leave. Neither employee separated employment from the County. Former Perry County Auditor Larry Householder authorized these payments. The aforementioned policy permits neither the accumulation of vacation balances in excess of that which would be earned in three years nor the payment of vacation leave in lieu of using the vacation as compensated leave, except upon separation from employment.

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

**FINDING NUMBER 2006-002 (Continued)**

**Findings for Recovery Repaid under Audit (Continued)**

The following table includes the details of vacation leave payments.

| Employee Name | Date Paid | Hours Paid | Amount |
|---|---|---|---|
| Rita Bolyard | December 1, 2006 | 200 | $3,024.00 |
| Rita Bolyard | January 26, 2007 | 80 | 1,269.60 |
| Total Rita Bolyard | | | $4,293.60 |
| | | | |
| Diane Shriner | December 1, 2006 | 200 | $3,024.00 |
| Diane Shriner | January 26, 2007 | 80 | 1,269.60 |
| Total Diane Shriner | | | $4,293.60 |

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Rita Bolyard, Perry County Auditor employee, in the amount of $4,293.60, and in favor of the Perry County General Fund. Also in accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Diane Shriner, Perry County Auditor employee, in the amount of $4,293.60, and in favor of the Perry County General Fund.

In order to satisfy the findings for recovery, on January 9, 2008, adjustments were made to each of these employees' balances in effect on February 3, 2007. Each balance was reduced by 280 hours, and both Diane Shriner and Rita Bolyard agreed to the reduction.

**FINDING NUMBER 2006-003**

**Finding for Recovery Repaid under Audit**

The Perry County Children Services Board Policies and Procedures Manual, as amended effective November 13, 2006, includes a section on Paid Leaves of Absence which states in part, "An employee with at least one year of service is entitled to payment for any earned but unused vacation to her credit at the time she resigns from service with the PCCSB (Perry County Children Services Board)."

On December 19, 2006, Rick Glass, Perry County Children Services Director, authorized payment of four weeks of vacation in lieu of time off for Betty Beall since the employee demonstrated a financial burden. On December 29, 2006, Betty Beall was paid $1,884.80 for 160 hours of vacation but did not separate employment from the County. The aforementioned manual does not permit the payment of vacation leave in lieu of using the vacation as compensated leave.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Betty Beall, Perry County Children Services employee, in the amount of $1,884.80, and in favor of the Perry County Children Services Fund.

In order to satisfy the finding for recovery, on January 9, 2008, an adjustment was made to the employee's balance in effect on February 3, 2007 to reduce the balance by 160 hours. The adjustment was agreed to by Betty Beall.

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

**FINDING NUMBER 2006-004**

**Finding for Recovery**

Perry County Policy and Procedures Manual, Section 6.4(a), adopted on August 3, 1995 states in part, "An employee may elect at the time of retirement from active service with the County, and with ten or more years of service with the county, state or any political subdivision, to be paid in cash for one-fourth (1/4) of the value of her earned but unused sick leave credit."

On July 14, 2006, Ron Clark was paid $316.77, representing payment for all of his earned but unused sick leave credit upon his retirement. The aforementioned policy only permits payment for one-fourth of his unused sick leave credit upon retirement, or $79.20. As a result, Mr. Clark was paid $237.57 in excess of what was authorized.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Ron Clark, former Perry County employee, and Perry County Commissioners Lonnie G. Wood, Sr., and his surety, Western Surety Company, Thad Cooperider and his surety, State Auto Insurance Companies, and Fred Shriner and his surety, Western Surety Company, and Larry Householder, former Perry County Auditor, and his surety, State Auto Insurance Companies, jointly and severally, in the amount of $237.57, and in favor of the Perry County General Fund. Larry Householder shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Ron Clark and/or the aforementioned Perry County Commissioners and their bonding companies.

**FINDING NUMBER 2006-005**

**Noncompliance Finding – County Engineer's Compensatory Time and Overtime Pay**

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

Section 5.3 of the Manual provides in pertinent part:

(a) The bi-weekly payroll period is from 12:01 a.m. Sunday through 12:00 midnight the second Saturday following.

(c) Pay advances of any kind are not permitted.

Section 5.4 of the Manual includes the following provisions:

(a) An employee shall be entitled to overtime compensation at one and one-half (1 ½) times his/her regular rate of pay for time actually worked in excess of forty (40) hours per week for those employees working the standard workweek. The standard workweek for the purposes of overtime pay is forty (40) hours per week.

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

**FINDING NUMBER 2006-005 (Continued)**

**Noncompliance Finding – County Engineer's Compensatory Time and Overtime Pay (Continued)**

(b) For the purpose of this section, **paid sick leave and paid vacation leave shall be considered time worked**. Workweek, as used in this section, shall consist of five (5) days of eight (8) hours each day in a calendar week or four (4) days of then (10) hours each day in a calendar week.

(d) Comp time (compensatory time) may be taken for overtime hours worked at a rate two (2) times the number of hours worked by the employee. If an employee wants comp time in lieu of overtime, he must write in his/her time sheet the amount of overtime to be substituted for comp time or time taken off.

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

As part of the 2005 audit, we analyzed time cards through the period ending September 30, 2006 and various employees' comp time balances were adjusted as a result of that work. During our review of employee time cards for the last quarter of 2006, we found two instances where employees were awarded comp time / overtime without first working in excess of a 40 hour work week. Based upon the results of the work performed for the last quarter of 2006, we extended our procedures through the pay period ending September 15, 2007, and found twelve additional instances where employees were awarded comp time or paid for overtime without first working in excess of a 40 hour week.

These instances occurred since the Engineer's Department continued to recognize comp time used as counting towards 40 hours worked while the Engineer's policy manual only includes sick leave and vacation as counting towards hours worked. The following table includes amounts by which each employee's comp time and/or vacation balance requires adjustment.

| County Engineer's Employee | Reduction |
|---|---:|
| | |
| Lane Allen | 10 hours |
| Adam Anderson | 30 hours |
| Jeremy Butler | 23 hours |
| Mark Canter | 10 hours |
| Tim Danielson | 6 hours |
| Tim Frash | 16 hours |
| Bob Keister | 10 hours |
| Jason Spurgus | 10 hours |
| Matt Stimmel | 10 hours |
| Russell Vann | 20 hours |
| Jeff Wood | 2.50 hours |

In addition, there was no evidence presented to indicate that overtime was authorized, in writing, in advance of the overtime being worked, although the policy manual indicates that overtime shall be authorized in advance of overtime being worked.

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

### FINDING NUMBER 2006-005 (Continued)

**Noncompliance Finding – County Engineer's Compensatory Time and Overtime Pay (Continued)**

We recommend the Engineer's office take immediate steps to reduce employee comp time balances by the amounts shown above. If any employee does not have sufficient comp time hours to adjust, then we recommend that vacation hours be reduced. All adjustments made should be documented and retained for future reference. The County Engineer should also make certain that those County Engineer employees responsible for approving comp time and overtime and for maintaining comp time records understand and enforce the Engineer's policy that comp time and overtime is only to be earned after working 40 hours.

**Officials' Response (from County Engineer Kent Cannon)**

Once we were made aware of the errors, we made adjustments to comp time and/or vacation balances by the amount of hours that should not have been awarded, in the case of comp time, or paid, in the case of overtime, for each of the employees listed above, effective for the pay period ended October 13, 2007. We are now clear as to the manner in which comp time and/or overtime should be awarded and we do not believe any further errors will occur in the future.

### FINDING NUMBER 2006-006

**Noncompliance Finding and Significant Deficiency – Fiscal Officer's Prior Certification**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract 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 Rev. Code.

1. **"Then and Now" Certificate** - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of County Commissioners) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than $100 for counties may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

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

**FINDING NUMBER 2006-006 (Continued)**

**Noncompliance Finding and Significant Deficiency – Fiscal Officer's Prior Certification - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance of the Board against any specific line item account not extending beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the Board for the blanket.

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

The County did not certify the availability of funds prior to purchase commitments being incurred for 13% of the expenditures tested. There was no evidence the County Auditor followed the aforementioned exceptions.

In addition, the County did not properly certify the availability of funds through the use of blanket certificates, as there was no evidence that the Board of County Commissioners established an amount, by resolution or ordinance, for which blanket certificates can be used. Although County personnel indicated that super blanket certificates were issued, the blanket certificates issued did not indicate whether they were blanket certificates or super blanket certificates. There were instances in which more than one blanket certificate was outstanding at one particular time for one particular line item appropriation. Since the blanket certificates did not include detail to designate them as either blanket certificates or super blanket certificates, we could not determine if the certificates were otherwise in compliance with blanket and super blanket certificate requirements.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend the Board of County Commissioners adopt a resolution setting the maximum amount for which blanket certifications can be used. We also recommend that the County officials become more familiar with the various certification requirements and utilize the appropriate type of certification for each contract and/or order for expenditure. Blanket and super blanket certifications should be noted as such on each certification issued.

**Officials' Response (from the Perry County Auditor and Commissioners):**

On November 2, 2007, the Perry County Commissioners adopted Resolution 07-1102-10 which addressed the prior certification requirements in the Ohio Revised Code, including establishing a maximum amount of $5,000 for blanket certificates. The County Auditor and County Commissioners intend to continue to improve in the enforcement of prior certification requirements throughout the County.

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

### FINDING NUMBER 2006-007

**Noncompliance Finding – GAAP Annual Financial Report**

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

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

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

**Officials' Response (from the Perry County Auditor):**

For 2006, the County Auditor prepared a cash basis financial report but followed the GASB Statement No. 34 reporting format in order to prevent the County from receiving an adverse opinion.

### FINDING NUMBER 2006-008

**Noncompliance Finding and Significant Deficiency – Preparation of Tax Budget**

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

The Board of County Commissioners did not adopt a complete tax budget, as described in Ohio Rev. Code Section 5705.29, for the 2006 fiscal year. A portion of the tax budget, the Official Certificate of Estimated Resources, was adopted on August 19, 2005. Without a budget, the County had no spending plan to assure each department's expenditures were within estimated resources.

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

**Officials' Response (from the Perry County Board of Commissioners):**

In January 2007 the Board of Commissioners placed personnel directly under their supervision to oversee budgetary and appropriations duties. The County continues to improve in this area and has adopted a complete budget for 2008.

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

**FINDING NUMBER 2006-009**

**Noncompliance Finding – Negative Fund Balances**

Ohio Rev. Code Section 5705.10(H) requires, in part, that money paid into a fund must be used only for the purposes for which such fund has been established. 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 each month's end during 2006:

| Fund | From | To |
|---|---|---|
| General | ($4,170) | ($4,170) |
| Public Assistance | ($16,099) | ($393,808) |
| Marriage License | ($1,568) | ($7,464) |
| WIA | ($15,511) | ($29,195) |
| Real Estate Assessment | ($34,608) | ($65,951) |
| Child Support Enforcement | ($653) | ($653) |
| Clerk of Courts Computer | ($882) | ($882) |
| IV-D Child Support | ($3,404) | ($54,390) |
| CDBG 04 | ($3,989) | ($177,090) |
| CDBG | ($40,957) | ($58,450) |

| Fund | From | To |
|---|---|---|
| Retired Seniors Volunteer Program | ($360) | ($2,938) |
| Senior Center | ($10,714) | ($25,319) |
| Office of Homeland Security/EMA | ($1,551) | ($3,653) |
| Drop Off Recycling Program | ($482) | ($483) |
| Certificate of Title Administration | ($7,586) | $21,532 |
| 911 | ($1,846) | ($5,067) |
| Transit System | ($3,448) | ($8,400) |
| Perry County Airport | ($12,018) | ($18,532) |
| Juvenile Drug Court | ($2,112) | ($2,112) |

We recommend the County Auditor refrain from deficit spending. For those funds that receive reimbursable grants or are awaiting tax settlements, short term advances may be an option to prevent deficit fund balances. County management should refer to Auditor of State Bulletin 97-003 for guidance in this area. Compliance with other sections of budgetary law may also help prevent deficit spending.

**Officials Response (from the Perry County Auditor):**

The County Auditor has informed all elected officials and department heads of the necessity to obtain Board of County Commissioners authorization for short term advances since deficit fund balances are not permitted by law.

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

**FINDING NUMBER 2006-010**

**Noncompliance Finding – Failure to Obtain Reduced Amended Certificate**

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

For the year ended December 31, 2006, appropriations exceeded the beginning balance plus actual receipts as follows:

| Fund | Amount |
|---|---|
| Clerk of Courts Computerization | ($4,593) |
| EMA/Office of Homeland Security | ($53,752) |
| Perry County Airport | ($501,601) |

Failure to obtain reduced amended certificates of estimated resources and to make corresponding reductions in appropriations resulted in deficit spending as indicated in Finding No. 2006-009.

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

**Officials' Response (from the Perry County Board of Commissioners and Auditor):**

The County Auditor has since been obtaining amended certificates as needed. In January 2007 the Board of Commissioners placed personnel directly under their supervision to oversee budgetary and appropriations duties. The County Auditor and Commissioners strive to continue to improve in this area.

**FINDING NUMBER 2006-011**

**Noncompliance Finding – Appropriations In Excess of Estimated Resources**

Ohio Rev. Code Section 5705.36(A)(5) provides that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. Ohio Rev. Code Section 5705.39 prohibits total appropriations in each fund from exceeding total estimated resources.

No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

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

### FINDING NUMBER 2006-011 (Continued)

**Noncompliance Finding – Appropriations In Excess of Estimated Resources - Ohio Rev. Code Section 5705.36(A)(5) (Continued)**

Appropriations exceeded estimated resources in the following funds and amounts as of December 31, 2006:

| Fund | Fund Number | Current Year Appropriations | Certified Resources | Variance |
|---|---|---|---|---|
| Public Assistance | 006 | $6,163,323 | $5,700,295 | ($463,028) |
| Litter Control | 026 | $48,500 | $9,774 | ($38,726) |
| Child Support Enforcement | 031 | $83,347 | $73,172 | ($10,175) |
| Clerk of Courts Computer | 045 | $16,263 | $15,610 | ($653) |
| IV-D Child Support | 046 | $657,792 | $624,720 | ($33,072) |
| Building, Water, Airport Bond Retirement | 049 | $213,600 | $100,252 | ($113,348) |
| CDBG 04 | 051 | $770,961 | $270,186 | ($500,775) |
| CDBG | 055 | $568,128 | $294,826 | ($273,302) |
| Retired Seniors Volunteer Program | 085 | $57,391 | $55,270 | ($2,121) |
| Capital Improvement Issue II | 090 | $325,000 | $0 | ($325,000) |
| Litter Recycling/Reduction | 094 | $200,462 | $194,815 | ($5,647) |
| Juvenile Computer Legal Research | 300 | $3,000 | $2,646 | ($354) |
| Probate Computer | 302 | $10,000 | $8,563 | ($1,437) |
| Juvenile Computerization | 303 | $8,000 | $5,668 | ($2,332) |
| Recorder Equipment | 310 | $35,000 | $29,228 | ($5,772) |
| Certificate of Title Administration | 311 | $198,467 | $186,757 | ($11,710) |
| Sheriff Service National Forest | 323 | $3,300 | $1,159 | ($2,141) |
| Sheriff CCW | 331 | $12,000 | $6,335 | ($5,665) |
| 911 | 333 | $97,808 | $97,437 | ($371) |
| Common Pleas Mediation Program | 340 | $1,952 | $0 | ($1,952) |
| Perry County Transit System | 343 | $231,615 | $194,108 | ($37,507) |
| Sheriff Litter Grant | 347 | $89,559 | $89,469 | ($90) |
| DARE | 373 | $10,861 | $2,201 | ($8,660) |
| Juvenile Drug Court | 375 | $21,229 | $11,537 | ($9,692) |

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

**Officials' Response (from the Perry County Board of Commissioners):**

In January 2007 the Board of Commissioners placed personnel directly under their supervision to oversee budgetary and appropriations duties. The Board intends to limit appropriations to estimated resources and to work with the County Auditor to obtain increased amended certificates when needed.

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

### FINDING NUMBER 2006-012

**Noncompliance Finding and Material Weakness – Posting Estimated Receipts**

As explained in Finding Number 2006-010 above, local governments are required to monitor estimated receipts and reduce estimated receipts if it is known that actual receipts will fall short of estimates. In order for the various County officials to effectively compare estimated to actual receipts, estimated receipts must be accurately and timely posted to the County's accounting system. In addition, Ohio Admin. Code Section 117-2-02(A) requires each local public office to maintain an accounting system to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Section 117-2-03 of the Administrative Code.

We noted numerous instances where the estimated receipts reflected on the final Amended Certificate of Estimated Resources did not agree with the estimated receipts recorded on the County's accounting system at year end. While it was not practical to report the variances for each fund, we have reported the variance for each major fund as follows:

| Major Fund | Final Estimated Receipts per the Amended Certificate | Final Estimated Receipts per the Accounting System | Variance |
|---|---:|---:|---:|
| General Fund | $6,199,982 | $6,185,337 | $14,645 |
| Auto License and Gas Tax Fund | 4,174,700 | 4,667,590 | (492,890) |
| Job and Family Services Fund | 6,750,950 | 6,911,323 | (160,373) |
| Water Fund | 1,370,500 | 1,314,275 | 56,225 |
| Sewer Fund | 173,000 | 218,636 | (45,636) |

This deficiency could result in the County incurring obligations and commitments in excess of financial resources.

We recommend once the fiscal officer prepares an Amended Certificates of Estimated Resources and it is approved by the Budget Commission, it should be presented to the County Commissioners and posted to the accounting system in a timely manner. This would enable the various County officials to effectively compare estimated to actual receipts. This comparison is necessary in order for the officials to monitor the County's finances throughout the year and to adopt the appropriate budgetary amendments.

**Officials' Response (from the Perry County Auditor):**

The County Auditor is posting only those estimated receipts that are reflected in the amended certificates of estimated resources. All amended certificates are presented to the Board so that adopted appropriations will be within estimated resources.

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

**FINDING NUMBER 2006-013**

**Significant Deficiency – Policy and Procedures Manuals**

The Perry County Board of Commissioners adopted a modified policy and procedures manual on January 27, 2006. In addition to the Board's manual, negotiated agreements between unions and certain County departments existed as well as separate policies and procedures for certain appointing authorities. Generally, there was no County-wide procedure in place to assure that employees were made aware of and understood applicable policies and procedures and that the applicable policies and procedures were being followed. We noted the following payroll related issues:

a. As explained in Finding Number 2006-001, vacation leave was consistently allowed to accumulate in excess of that which would be earned in three years. In some cases prior to 2006, employees who were permitted to accumulate in excess of three years' vacation earnings were subsequently paid for their entire vacation balance upon their leaving County employment. This practice resulted in the County incurring payroll related costs not authorized by the County's policies.
b. The Board of Elections policy in effect during 2006 permitted an employee to earn comp time when working outside of the employee's regularly scheduled hours, in certain instances, even though the employee did not work a 40 hour week. We noted where an employee was awarded 21 hours of comp time for working on an election day (November 7, 2006). In addition, the comp time record for this employee only showed dates and amounts earned; dates and hours worked were not recorded. The Comp Time Record / Request Form dated December 7, 2006 indicated this employee was paid for 50 hours and contained a statement from the Director that "50 hours of compensatory time were deducted due to they were earned incorrectly." The Board of Elections policy was not clear as to the intent of the Board in this area and, as a result, we were unable to determine if the practices followed were proper.
c. There were no formal procedures in place to assure that each employee was provided a copy of the policy and procedures manual and that each acknowledged that they read and understood it.

We recommend the following:

a. The Board of County Commissioners should implement a procedure whereby every County employee, regardless of department, acknowledges that they have received, read and understand the policies by which they are governed.
b. Each appointing authority should implement procedures to assure that the policies by which its employees are governed are being followed.
c. Procedures should be implemented within each department to assure that applicable sick leave, vacation leave and compensatory/overtime policies are being followed, including adherence to the three year vacation leave maximum. Although the County Auditor maintained sick leave and vacation balances for the majority of the County departments, each appointing authority should assure that vacation and sick leave records are maintained at the department level and periodically compared to the County Auditor records that are provided to each department head. Since County employees accrue vacation at varying rates and are subject to various policies and/or negotiated agreements, it is imperative that each appointing authority monitor leave usage and accruals for compliance with its own policies.
d. Since the Board of County Commissioners approves all departmental budgets, it is important that the Board be provided a copy of each appointing authority's policies and procedures that differ from those of the Board.

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

**FINDING NUMBER 2006-013 (Continued)**

**Significant Deficiency – Policy and Procedures Manuals (Continued)**

e. The Board of Elections should review it policies to assure that the Board's intent is clearly stated, especially in the area of comp time and overtime payments. The Board may want to consult with the Prosecuting Attorney concerning the propriety of past comp time awarded.

**Officials' Response (from the Perry County Board of Commissioners):**

We have implemented a document that each Department Head will be required to read and sign prior to approval of a budget for that department. The document will state that each department has a P&P Manual in their office, each employee of the department has acknowledged receipt of the Manual in writing, and if needed, each employee will have access to a P&P Manual if they cannot locate their own. It will also state that any and all addendums to the P&P Manual are on file in the office of the Perry County Commissioners and that the department head assumes all responsibility that the policies and procedures of the office are being followed by the employees.

**FINDING NUMBER 2006-014**

**Significant Deficiency – Effective Monitoring by the Board of County Commissioners**

Each month, the County Auditor provided the Board of County Commissioners a 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 budgeted versus actual receipt and disbursement activity. The Statement of Cash Position reports were scanned into the minute record while the revenue and expenditure status reports were accepted by the Board via resolution.

While the review and acceptance of these reports are an important step towards effective monitoring, significant budgetary noncompliance continued to exist during 2006.

We recommend the Board of County Commissioners document in its minutes not only the acceptance and review of the monthly reports but also the discussion and actions taken as a result of the reviews in order to prevent noncompliance with budgetary law.

**Officials' Response (from the Perry County Board of Commissioners):**

In January 2007 the Board of Commissioners placed personnel directly under their supervision to oversee budgetary and appropriations duties. Our plan will be to expand these duties to include a monthly report on the budgeted vs. actual receipt and disbursement activity of all funds.

**FINDING NUMBER 2006-015**

**Significant Deficiency - Segregation of User Access**

Proper segregation of duties dictates that users can only access those computer functions and data necessary to do their jobs. To do this, each user's system and application-level access rights need to be individually defined based upon their job duties.

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

**FINDING NUMBER 2006-015 (Continued)**

**Significant Deficiency - Segregation of User Access (Continued)**

Access to the Treasurer's application could allow unauthorized users to enter, edit, or delete transactions in the Treasurer's application. The County Auditor began reviewing this weakness once it was brought to her attention.

Management should assign user access rights to functions and data based solely upon each employee's job duties. In addition, application functions that are solely the responsibility of the Auditor's office should be restricted to Auditor's office personnel only.

**Officials' Response (from the Perry County Auditor):**

The County Auditor has indicated that as of the date of this report, access has been restricted to only the budgetary side of the Auditor's Office. The County Auditor was previously unaware of this control issue and County Auditor employees have not performed any type of maintenance in the Treasurer's application.

**FINDING NUMBER 2006-016**

**Significant Deficiency - Logical Access for Windows Server Password and Account Policies**

To help reduce the likelihood of unauthorized use, organizations restrict access to their computer systems, programs, and data. The level of access must be commensurate to a specific user's job responsibilities and needs. Typically, logical access to automated information is restricted by the use of a password associated with access rules. Standard password administration guidelines suggest passwords be a minimum number of characters in length, difficult to guess, and contain special characters. In addition, effective access procedures would provide for the suspension of user identification codes or the disability of terminal, microcomputer, or data entry devices following a pre-defined number of unsuccessful attempts to access the system or applications.

The following weaknesses were noted with the Windows 2003 password and account policies:

- Minimum password length of 0.
- No password history.
- Maximum password age of 42 days.
- Minimum password age of 0 days.
- No account lockout.
- No forced logoff when logon hours expire.

In addition, the following was noted for the user network accounts:

- Password and account policies are overridden at the individual user profile.
- There were 6 of 41 (14.6%) INACTIVE accounts. These are accounts that haven't been used in the last 180 days since the file was created on October 11, 2007.
- There were 3 of 41 (7.3%) that do not require a password.
- There were 36 of 41 (87.8%) accounts with passwords that never expired.
- There was 1 Auditor's office employee that was assigned "Administrator" type privileges and their job functions do not include this type of access.

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

**FINDING NUMBER 2006-016 (Continued)**

**Significant Deficiency - Logical Access for Windows Server Password and Account Policies (Continued)**

Without adequate password controls on the network and a reasonable threshold for unsuccessful log-in attempts, the system could allow an individual to try repeatedly to log into the network. In addition, unauthorized access could result in an individual gaining access to the Windows 2003 server and accidentally or intentionally deleting or altering computer programs or data.

We recommend the County implement Windows 2003 password parameter settings and a threshold for failed login attempts. Industry standards suggest:

| | |
|---|---|
| Password expiration: | at most every 90 days |
| Failed login threshold: | 3-5 attempts |
| Passwords remembered: | at least 3 passwords |

**Officials' Response (from the Perry County Auditor):**

The County Auditor is currently working on these suggestions.

**FINDING NUMBER 2006-017**

**Significant Deficiency - Logical Access Controls for SSI and Tyler Technologies, Inc. (Tyler) Applications**

To help reduce the likelihood of unauthorized use, organizations must restrict access to their computer systems, programs, and data. The level of access must be commensurate to a specific user's job responsibilities and needs. Typically, logical access to automated information is restricted by the use of a password associated with access rules. Standard password administration guidelines suggest passwords be a minimum number of characters in length, difficult to guess, and change consistently.

The following weaknesses were identified for the SSI applications:

- Three users had passwords that were less than 6 characters. Two of these accounts were County users and 1 was a vendor account.
- Five users did not have a forced password change set and no last password change was listed on the file for these users. These include 1 SSI account, 1 system account, and 3 County users.
- Six users had not changed their passwords in the past 180 days. Five of these were the ones that did not have a forced password change and 1 account appears to have never logged.

The following weaknesses were identified for the Tyler application:

- Of the 42 accounts, 11 are old user accounts. There are also 2 duplicate accounts.
- The SY99 screen allows the users to change their password. Not all users had access to this screen. Of the 42 accounts, only 23 had access to this screen. Passwords are set to be forced changed every 90 days.
- The Security Definition Screen (SY91) allows the user to assign/maintain user access to the system and screens. Seven user IDs have update capabilities to this screen. Three are vendor accounts and 4 are user accounts (including 2 old user accounts).

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

**FINDING NUMBER 2006-017 (Continued)**

**Significant Deficiency - Logical Access Controls for SSI and Tyler Technologies, Inc. (Tyler) Applications (Continued)**

The absence of logical access controls increases the possibility an individual might gain access to the County's applications and respective data without proper authorization. Inappropriate access may also go unnoticed without periodic review of accounts, access privileges and security settings.

Logical access to the County's applications should include the following safeguards:

- Passwords should have a maximum lifetime of 90 days;
- Passwords should have a minimum length of 6 characters; and
- An account lockout policy should be established to limit unsuccessful login attempts.

In addition, application user lists should be reviewed periodically to ensure that all users are current county employees and their assigned access is appropriate for their job functions.

**Officials' Response (from the Perry County Auditor):**

The County Auditor is currently working on these suggestions.

**FINDING NUMBER 2006-018**

**Significant Deficiency - Logical Access Controls Northern Perry Water**

To help reduce the likelihood of unauthorized use, organizations must restrict access to their computer systems, programs, and data. The level of access must be commensurate to a specific user's job responsibilities and needs. Typically, logical access to automated information is restricted by the use of a password associated with access rules. Standard password administration guidelines suggest passwords be a minimum number of characters in length, difficult to guess, and change consistently.

Two employees use the billing application, but there is only one user ID and password. In addition, the password for this shared user account was not changed during the audit period.

The absence of logical access controls increases the possibility an individual might gain access to the billing application and respective data without proper authorization.

Logical access to the County water billing application should include the following safeguards:

- Each employee with access to the application should have their own user ID and password.
- Passwords should have a maximum lifetime of 90 days;
- Passwords should have a minimum length of 6 characters.

**Officials' Response (from the Northern Perry Water Office Manager):**

The Office Manager has acknowledged receipt of this comment and is in the process of making the necessary changes.

## 3. FINDINGS FOR FEDERAL AWARDS

| | |
|---|---|
| **Finding Number** | 2006-019 |
| **CFDA Title and Number** | Food Donation – CFDA 10.550<br>School Breakfast Program – CFDA 10.553<br>National School Lunch Program – CFDA 10.555<br>Community Development Block Grant – CFDA 14.228<br>HOME Investments Partnerships Program – 14.239<br>State and Community Highway Safety Program – CFDA 20.600<br>Voter Education and Poll Worker Program – CFDA 39.011<br>State Preparedness Equip. Support Program – CFDA 97.004<br>Homeland Security Grant Program – CFDA 97.067<br>Workforce Investment Act Adult Program – CFDA 17.258<br>Workforce Investment Act Dislocated Worker – CFDA 17.260 |
| **Federal Award Number / Year** | See the Schedule of Federal Awards Expenditures |
| **Federal Agency** | U.S. Department of Agriculture<br>U.S. Department of Housing and Urban Development<br>U.S. Department of Transportation<br>U.S. Election Assistance Commission<br>U.S. Department of Homeland Security<br>U.S. Department of Labor |
| **Pass-Through Agency** | Ohio Department of Education<br>Ohio Department of Development<br>Ohio Secretary of State<br>Ohio Department of Public Safety<br>WIA Area 14 |

**Noncompliance and Significant Deficiency – Completion of the Federal Expenditures Schedule**

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

## 3. FINDINGS FOR FEDERAL AWARDS (Continued)

### Finding Number 2006-019 (Continued)

**Noncompliance and Significant Deficiency – Completion of the Federal Expenditures Schedule (Continued)**

When performing tests to assure the completeness of the County's Schedule of Federal Awards Expenditures (the Schedule), we identified the following federal programs and amounts which were not included in the Schedule:

| | |
|---|---|
| Food Donation Program | $36,204 |
| School Breakfast Program | $15,328 |
| National School Lunch Program | $26,359 |
| Community Development Block Grant/States Program | $325,278 |
| HOME Investments Partnership Program | $278,113 |
| State and Community Highway Safety Program | $21,727 |
| Voter Education and Poll Worker Program | $350 |
| State Preparedness Equipment Support Program | $7,304 |
| Homeland Security Grant Program | $85,615 |
| Workforce Investment Act Adult Program | $180,424 |
| Workforce Investment Act Dislocated Worker Program | $181,093 |

As a result of the County not identifying these Federal programs, the original Schedule was incomplete and it was necessary for us to perform additional procedures to assure the completeness of the Schedule. The Federal program expenditures which had not been previously reported to us were in the total amount of $1,157,795, 53% of total federal expenditures which are now included on the Schedule.

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

**Officials' Response (from the Perry County Auditor and Commissioners):**

The Perry County Auditor has compiled a number of documents regarding the process to be followed by all departments regarding Approval of Federal and State Grant Dollars. She has also distributed the documents to each Department within the County. The Commissioners will seek assistance from the Assistant Prosecuting Attorney to draft and adopt a policy regarding this practice.

## PERRY COUNTY

## CORRECTIVE ACTION PLAN
## OMB CIRCULAR A-133 § .315(c)
## DECEMBER 31, 2006

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|---|---|---|---|
| 2006-019 | The corrective action plan for this federal finding is included within the Schedule of Findings under "Officials' Response". | December 31, 2007 | Teresa Stevenson, County Auditor |

**PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**OMB CIRCULAR A-133 § .315(b)**
**DECEMBER 31, 2006**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or No Longer Valid; **Explain** |
|---|---|---|---|
| 2005-001 | A finding for recovery was issued against the County Engineer's Department for awarding improper compensatory time and overtime pay. | No | The finding for recovery was satisfied. A few less significant instances were found and included in Finding 2006-005 |
| 2005-002 | The County did not adopt a tax budget for the 2006 fiscal year. | No | Not corrected; Repeated as Finding 2006-008 |
| 2005-003 | The County did not prepare financial statements in accordance with generally accepted accounting principles. | No | Not Corrected; Repeated as Finding 2006-007. |
| 2005-004 | Appropriations exceeded estimated resources | No | Not Corrected; Repeated as Finding 2006-011 |
| 2005-005 | Expenditures exceeded appropriations. | No | Partially corrected; a verbal comment will be issued. |
| 2005-006 | The County failed to obtain reduced amended certificates. | No | Not Corrected; Repeated as Finding 2006-010 |
| 2005-007 | The County Auditor did not certify the availability of funds prior to purchase commitments being incurred. | No | Not Corrected; Repeated as Finding 2006-006. |
| 2005-008 | The County Auditor did not certify beginning unencumbered fund balances at January 1, 2006. | No | Partially Corrected; Unencumbered balances were certified but no on the proper form. This has been reported in the management letter. |

**PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**OMB CIRCULAR A-133 § .315(b)**
**DECEMBER 31, 2006**
**(Continued)**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or No Longer Valid; **Explain** |
|---|---|---|---|
| 2005-009 | County employees should acknowledge they have received, read and understand the policies by which they are governed. | No | Partially Corrected; Repeated as Finding 2006-013 |
| 2005-010 | Employees of the County were allowed to accumulate vacation leave balances in excess of amounts authorized by the policy. | No | Not corrected; Repeated as Finding 2006-001 |
| 2005-011 | County Engineer employees worked at times during 2005 when it appeared the time clock was not utilized. | Yes | |
| 2005-012 | Overtime and comp time approved by the Engineer's department should be done in accordance with their policy. | No | Partially Corrected; See Finding 2006-005 |
| 2005-013 | County Engineer time cards were not presented for audit. | Yes | |
| 2005-014 | The County Commissioners failed to adequately monitor the County's budgetary and financial activity. | No | Repeated as Finding 2006-014 |
| 2005-015 | The Schedule of Federal Expenditures was not completed. | No | Additional Federal funding was omitted from the Federal Schedule; See Finding 2006-019 |

Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION**

**PERRY COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**MARCH 6, 2008**

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