



Mary Taylor, CPA  
Auditor of State



**PERRY COUNTY**  
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# Mary Taylor, CPA

Auditor of State

## 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2007, 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. or the Perry County Regional Airport Authority, the discretely presented component units. Other auditors audited the financial statements of PERCO, Inc. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for PERCO, Inc., on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the 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 Section 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Perry County, Ohio, as of December 31, 2007, 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 November 7, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 7, 2008

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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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, 2007. 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 2007 are as follows:

- Net cash assets of governmental activities increased \$2,829,343. Net cash assets of the business-type activities decreased \$88,162.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$14,304,917, an increase of \$2,413,915 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 basic financial statements.

**County-Wide Financial Statements**

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

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

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

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

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

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

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

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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*Component Units* - The County's financial statements include financial data of the Perry County Regional Airport Authority and PERCO, Inc. These component units are described in the notes to the basic 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 Cash Basis 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 Basic 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 fourth 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. Recall that the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2007 compared to 2006.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$12,331,314	\$10,772,593	\$605,922	\$694,084	\$12,937,236	\$11,466,677
Cash in Segregated Accounts	55,795	60,135	0	0	55,795	60,135
Cash With Fiscal Agents	1,121,222	871,414	0	0	1,121,222	871,414
Investments	2,136,544	1,111,390	0	0	2,136,544	1,111,390
<i>Totals Assets</i>	<u>\$15,644,875</u>	<u>\$12,815,532</u>	<u>\$605,922</u>	<u>\$694,084</u>	<u>\$16,250,797</u>	<u>\$13,509,616</u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	\$417,767	\$171,458	\$0	\$0	\$417,767	\$171,458
Health	3,612,245	3,141,864	0	0	3,612,245	3,141,864
Public Works	2,210,199	2,385,096	0	0	2,210,199	2,385,096
Human Service	541,477	234,136	0	0	541,477	234,136
Other Purposes	4,560,710	3,736,902	0	0	4,560,710	3,736,902
Unclaimed Monies	98,103	96,995	0	0	98,103	96,995
Unrestricted	4,204,374	3,049,081	605,922	694,084	4,810,296	3,743,165
<i>Total Net Assets</i>	<u>\$15,644,875</u>	<u>\$12,815,532</u>	<u>\$605,922</u>	<u>\$694,084</u>	<u>\$16,250,797</u>	<u>\$13,509,616</u>

A portion of the County's net assets, \$11,440,501 or 70 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted assets, \$4,810,296, or 30 percent, is to be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows the changes in net assets for the fiscal year ended December 31, 2007, and comparisons to fiscal year 2006.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

Table 2  
Changes in Net Assets

	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activites	Activities		Activites	Activities	
	2007	2007	2007	2006	2006	2006
<b>Receipts</b>						
<b>Program Receipts</b>						
Charges for Services	\$4,751,138	\$966,224	\$5,717,362	\$4,814,858	\$797,518	\$5,612,376
Operating Grants, Contributions, and Interest	19,089,834	0	19,089,834	15,615,194	0	15,615,194
Capital Grants, Contributions, and Interest	41,354	400,000	441,354	1,459,475	693,900	2,153,375
<b>Total Program Receipts</b>	<b>23,882,326</b>	<b>1,366,224</b>	<b>25,248,550</b>	<b>21,889,527</b>	<b>1,491,418</b>	<b>23,380,945</b>
<b>General Receipts and Transfers</b>						
Property Taxes	4,942,976	0	4,942,976	4,978,609	0	4,978,609
Conveyence Fees	0	0	0	0	0	0
Permissive Sales Taxes	1,801,610	0	1,801,610	1,784,047	0	1,784,047
Intergovernmental	866,861	0	866,861	748,568	0	748,568
Interest	706,305	0	706,305	680,212	0	680,212
Payment in Lieu of Taxes	27,482	0	27,482	28,150	0	28,150
Note Proceeds	0	5,927,105	5,927,105	0	300,974	300,974
Capital Contributions	0	0	0	0	0	0
Miscellaneous	518,019	0	518,019	578,059	12,708	590,767
Transfers In	119,492	0	119,492	112,200	0	112,200
Repayment of Airport Authority Loan	175,000	0	175,000	0	0	0
<b>Total General Receipts</b>	<b>9,157,745</b>	<b>5,927,105</b>	<b>15,084,850</b>	<b>8,909,845</b>	<b>313,682</b>	<b>9,223,527</b>
<b>Total Receipts</b>	<b>33,040,071</b>	<b>7,293,329</b>	<b>40,333,400</b>	<b>30,799,372</b>	<b>1,805,100</b>	<b>32,604,472</b>
<b>Program Disbursements</b>						
<b>General Government:</b>						
Legislative and Executive	2,629,634	0	2,629,634	2,649,093	0	2,649,093
Judicial	1,270,192	0	1,270,192	1,189,101	0	1,189,101
Public Safety	3,649,999	0	3,649,999	3,957,659	0	3,957,659
Public Works	5,925,176	0	5,925,176	5,535,612	0	5,535,612
Public Works - Intergovernmental	579,091	0	579,091	0	0	0
Health	3,981,410	0	3,981,410	3,367,684	0	3,367,684
Human Services	10,899,207	0	10,899,207	10,794,587	0	10,794,587
Conservation and Recreation	265,248	0	265,248	247,823	0	247,823
Capital Outlay	473,676	0	473,676	1,298,578	0	1,298,578
Loan to Airport Authority	175,000	0	175,000	0	0	0
<b>Debt Service</b>						
Principal	180,000	0	180,000	170,000	0	170,000
Interest and Fiscal Charges	182,095	0	182,095	188,895	0	188,895
Water	0	1,405,537	1,405,537	0	1,602,035	1,602,035
Sewer	0	5,975,954	5,975,954	0	361,785	361,785
<b>Total Disbursements</b>	<b>30,210,728</b>	<b>7,381,491</b>	<b>37,592,219</b>	<b>29,399,032</b>	<b>1,963,820</b>	<b>31,362,852</b>
<b>Change in Net Assets</b>	<b>2,829,343</b>	<b>(88,162)</b>	<b>2,741,181</b>	<b>1,400,340</b>	<b>(158,720)</b>	<b>1,241,620</b>
Net Assets Beginning of Year	12,815,532	694,084	13,509,616	11,415,192	852,804	12,267,996
<b>Total Net Assets</b>	<b>\$15,644,875</b>	<b>\$605,922</b>	<b>\$16,250,797</b>	<b>\$12,815,532</b>	<b>\$694,084</b>	<b>\$13,509,616</b>

Operating grants were the largest program receipts, accounting for \$19,089,834 or 58 percent of total governmental activities receipts. The major recipients of intergovernmental program receipts were the Job and Family Services, Auto License and Gasoline Tax, Mental Health, Children Services, and Mental Retardation and Developmental Disabilities governmental programs.

Property tax receipts account for \$4,942,976 or 15 percent of total governmental activities receipts. Another major component of general governmental receipts was permissive sales taxes, which accounted for \$1,801,610 or 6 percent of total receipts.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

The County's direct charges to users of governmental services made up \$4,751,138 or 14 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 \$10,899,207, or 36 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 \$3,649,999, and \$6,504,267, or 12 percent and 22 percent, respectively of total disbursements.

**Business-Type Activities**

The net assets for business-type activities decreased by \$88,162 during 2007. Charges for services and capital grants accounted for \$966,224 and \$400,000 or 13 percent and 5 percent of receipts respectively. The remaining \$5,927,105, or 81 percent, of revenue represented the note proceeds from entering into OWDA Loans.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services for 2007 and 2006. The statement of activities reflects the cost of program services and the charges for services, and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted intergovernmental receipts.

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost (Gain) of Services	Total Cost of Services	Net Cost (Gain) of Services
	2007	2007	2006	2006
General Government:				
Legislative and Executive	\$2,629,634	\$965,739	\$2,649,093	\$1,063,024
Judicial	1,270,192	691,598	1,189,101	658,467
Public Safety	3,649,999	1,327,613	3,957,659	1,868,744
Public Works	5,925,176	(25,170)	5,535,612	330,474
Public Works - Intergovernmental	579,091	35,458	0	0
Health	3,981,410	959,371	3,367,684	1,121,508
Human Services	10,899,207	1,165,937	10,794,587	2,030,545
Conservation and Recreation	265,248	265,248	247,823	247,823
Capital Outlay	473,676	405,513	1,298,578	(169,975)
Principal Retirement	180,000	180,000	170,000	170,000
Interest and Fiscal Charges	182,095	182,095	188,895	188,895
Total Expenses	<u>\$30,035,728</u>	<u>\$6,153,402</u>	<u>\$29,399,032</u>	<u>\$7,509,505</u>

Charges for services, operating grants, and capital grants of \$23,882,326, or 80 percent of the total costs of services, are received and used to fund the general government disbursements of the County. The remaining \$6,219,426 in general government disbursements is funded by property taxes, permissive sales taxes, intergovernmental receipts, interest, and miscellaneous receipts.

The \$1,165,937 and \$959,371 in net cost of services for Human Services and Health demonstrate the costs of services that are not supported from state and federal resources.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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**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, 2007, the County's governmental funds reported a combined ending fund balance of \$14,304,917, an increase of \$2,413,915 in comparison with the prior year. \$12,960,398, or 91 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 (\$1,246,416) or other restricted purposes (\$98,103). 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 2007, unreserved fund balance was \$2,678,742, while total fund balance was \$2,962,519. 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 49 percent to total General Fund disbursements, while total fund balance represents 54 percent of that same amount.

The fund balance of the County's General Fund increased by \$740,973 during 2007. 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 2007 the Job and Family Services Special Revenue Fund had a fund balance of \$541,477, in comparison to a fund balance of \$234,136 at the end of 2006. This change is primarily due to increased grant receipts during 2007.

At the end of 2007 the Mental Retardation and Developmental Disabilities Special Revenue Fund had a fund balance of \$3,612,245, in comparison to a fund balance of \$3,141,864 at the end of 2006. This change is primarily due to increased grant receipts during 2007.

At the end of 2007 the Auto License and Gasoline Tax Special Revenue Fund had a fund balance of \$2,210,199, in comparison to a fund balance of \$2,385,096 at the end of 2006. This decrease is primarily due to a decrease in state and federal grants pertaining to capital projects in 2007.

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

As of December 31, 2007, unrestricted net assets for the County's enterprise funds were \$605,922.

**Perry County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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As of December 31, 2007, unrestricted net assets in the self-insurance program were \$1,339,958. Due to a significant decrease in claims activity, the County's self-insurance reserves remain at a comfortable level.

### **Budgetary Highlights**

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

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

### **Capital Assets and Debt Administration**

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

*Long-Term Obligations* - As of December 31, 2007, the County had total general obligation bonded debt outstanding of \$3,570,000 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, 2007 is \$12,748,777. 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 7.4 percent, which is an increase from 6.9 percent in 2006. Perry County has long been considered a manufacturing and agricultural County. The increase in unemployment is directly related to the financial hardships of the region due to the trends of the economy.

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

The various economic factors were considered in the preparation of the County's 2008 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, 2007**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	PERCO, Inc.	Perry County Regional Airport Authority
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$12,331,314	\$605,922	\$12,937,236	\$0	\$11,805
Cash in Segregated Accounts	55,795	0	55,795	465,362	0
Cash With Fiscal Agents	1,121,222	0	1,121,222	0	0
Investments	2,136,544	0	2,136,544	0	0
<i>Total Assets</i>	<u>\$15,644,875</u>	<u>\$605,922</u>	<u>\$16,250,797</u>	<u>\$465,362</u>	<u>\$11,805</u>
<b>Net Assets</b>					
Restricted for:					
Capital Projects	\$417,767	\$0	\$417,767	\$0	\$0
Health	3,612,245	0	3,612,245	0	0
Public Works	2,210,199	0	2,210,199	0	0
Human Services	541,477	0	541,477	0	0
Other Purposes	4,560,710	0	4,560,710	0	0
Unclaimed Monies	98,103	0	98,103	0	0
Unrestricted	4,204,374	605,922	4,810,296	465,362	11,805
<i>Total Net Assets</i>	<u>\$15,644,875</u>	<u>\$605,922</u>	<u>\$16,250,797</u>	<u>\$465,362</u>	<u>\$11,805</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended December 31, 2007**

	Program Receipts			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government:				
Legislative and Executive	\$2,629,634	\$1,663,895	\$0	\$0
Judicial	1,270,192	541,623	36,971	0
Public Safety	3,649,999	221,913	2,100,473	0
Public Works	5,925,176	670,703	5,279,643	0
Public Works - Intergovernmental	579,091	0	543,633	0
Health	3,981,410	1,052,111	1,969,928	0
Human Services	10,899,207	574,084	9,159,186	0
Conservation and Recreation	265,248	0	0	0
Capital Outlay	473,676	26,809	0	41,354
Debt Service				
Principal Retirement	180,000	0	0	0
Interest and Fiscal Charges	182,095	0	0	0
<i>Total Governmental Activities</i>	<u>30,035,728</u>	<u>4,751,138</u>	<u>19,089,834</u>	<u>41,354</u>
<b>Business Type Activities</b>				
Water Fund	1,286,045	659,363	0	0
Sewer Fund	5,975,954	306,861	0	400,000
<i>Total Business-Type Activities</i>	<u>7,261,999</u>	<u>966,224</u>	<u>0</u>	<u>400,000</u>
<i>Total Primary Government</i>	<u>\$37,297,727</u>	<u>\$5,717,362</u>	<u>\$19,089,834</u>	<u>\$441,354</u>
<i>Component Unit:</i>				
PERCO, Inc.	\$348,387	\$356,699	\$5,300	\$0
Perry County Regional Airport Authority	567,886	600	579,091	0
<i>Total Component Unit</i>	<u>\$916,273</u>	<u>\$357,299</u>	<u>\$584,391</u>	<u>\$0</u>

**General Revenues**

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

*Total General Revenues*

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

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

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts  
and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	PERCO, Inc.	Perry County Regional Airport Authority
(\$965,739)	\$0	(\$965,739)	\$0	\$0
(691,598)	0	(691,598)	0	0
(1,327,613)	0	(1,327,613)	0	0
25,170	0	25,170	0	0
(35,458)	0	(35,458)	0	0
(959,371)	0	(959,371)	0	0
(1,165,937)	0	(1,165,937)	0	0
(265,248)	0	(265,248)	0	0
(405,513)	0	(405,513)	0	0
(180,000)	0	(180,000)	0	0
(182,095)	0	(182,095)	0	0
(6,153,402)	0	(6,153,402)	0	0
0	(626,682)	(626,682)	0	0
0	(5,269,093)	(5,269,093)	0	0
0	(5,895,775)	(5,895,775)	0	0
(6,153,402)	(5,895,775)	(12,049,177)	0	0
0	0	0	13,612	0
0	0	0	0	11,805
0	0	0	13,612	11,805
1,758,265	0	1,758,265	0	0
1,418,252	0	1,418,252	0	0
222,865	0	222,865	0	0
443,900	0	443,900	0	0
962,938	0	962,938	0	0
136,756	0	136,756	0	0
1,801,610	0	1,801,610	0	0
866,861	0	866,861	0	0
706,305	0	706,305	13,157	0
27,482	0	27,482	0	0
0	5,927,105	5,927,105	0	0
518,019	0	518,019	0	0
8,863,253	5,927,105	14,790,358	13,157	0
119,492	(119,492)	0	0	0
(175,000)	0	0	0	175,000
175,000	0	0	0	(175,000)
119,492	(119,492)	0	0	0
2,829,343	(88,162)	2,741,181	26,769	11,805
12,815,532	694,084	13,509,616	438,593	0
\$15,644,875	\$605,922	\$16,250,797	\$465,362	\$11,805

**Perry County, Ohio**  
**Statement of Modified Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**December 31, 2007**

	General	Job and Family Services	MRDD	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$727,872	\$541,477	\$2,491,023	\$2,210,199	\$4,922,682	\$10,893,253
Restricted Cash and Cash Equivalents	98,103	0	0	0	0	98,103
Cash in Segregated Accounts	0	0	0	0	55,795	55,795
Cash With Fiscal Agents	0	0	1,121,222	0	0	1,121,222
Investments	2,136,544	0	0	0	0	2,136,544
<i>Total Assets</i>	<u>\$2,962,519</u>	<u>\$541,477</u>	<u>\$3,612,245</u>	<u>\$2,210,199</u>	<u>\$4,978,477</u>	<u>\$14,304,917</u>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$185,674	\$73,886	\$217,290	\$320,935	\$448,631	\$1,246,416
Reserved for Unclaimed Monies	98,103	0	0	0	0	98,103
Unreserved:						
Undesignated, Reported in:						
General Fund	2,678,742	0	0	0	0	2,678,742
Special Revenue Funds	0	467,591	3,394,955	1,889,264	4,138,115	9,889,925
Capital Projects Funds	0	0	0	0	391,731	391,731
<i>Total Fund Balances</i>	<u>\$2,962,519</u>	<u>\$541,477</u>	<u>\$3,612,245</u>	<u>\$2,210,199</u>	<u>\$4,978,477</u>	<u>\$14,304,917</u>

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, 2007**

<b>Total Governmental Fund Balances</b>	\$14,304,917
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*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.	<u>1,339,958</u>
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<b>Net Assets of Governmental Activities</b>	<u><u>\$15,644,875</u></u>
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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, 2007**

	General	Job and Family Services	MRDD	Auto License and Gasoline Tax	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property Taxes	\$1,758,265	\$0	\$1,418,252	\$0	\$1,766,459	\$4,942,976
Sales Taxes	1,801,610	0	0	0	0	1,801,610
Payment in Lieu of Taxes	27,482	0	0	0	0	27,482
Charges for Services	989,449	305,709	944,220	0	1,430,816	3,670,194
Licenses and Permits	3,152	0	0	0	288,445	291,597
Fines and Fees	355,992	0	0	17,664	26,493	400,149
Intergovernmental	912,858	6,541,162	1,800,812	4,207,976	6,840,795	20,303,603
Interest	706,305	0	0	74,136	0	780,441
Loan Revenue	0	0	0	0	9,508	9,508
Miscellaneous	36,144	176,598	226,418	0	78,859	518,019
<i>Total Receipts</i>	<u>6,591,257</u>	<u>7,023,469</u>	<u>4,389,702</u>	<u>4,299,776</u>	<u>10,441,375</u>	<u>32,745,579</u>
<b>Disbursements</b>						
Current:						
General Government:						
Legislative and Executive	2,059,605	0	0	0	671,402	2,731,007
Judicial	1,046,976	0	0	0	279,638	1,326,614
Public Safety	1,718,491	0	0	0	2,076,889	3,795,380
Public Works	10,263	0	0	4,320,773	1,601,483	5,932,519
Public Works - Intergovernmental	29,563	0	0	0	549,528	579,091
Health	105,303	0	3,551,118	0	334,258	3,990,679
Human Services	258,027	6,940,931	0	0	3,795,889	10,994,847
Conservation and Recreation	265,248	0	0	0	0	265,248
Capital Outlay	0	0	0	153,900	319,776	473,676
Debt Service:						
Principal Retirement	0	0	0	0	180,000	180,000
Interest and Fiscal Charges	0	0	0	0	182,095	182,095
<i>Total Disbursements</i>	<u>5,493,476</u>	<u>6,940,931</u>	<u>3,551,118</u>	<u>4,474,673</u>	<u>9,990,958</u>	<u>30,451,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,097,781</u>	<u>82,538</u>	<u>838,584</u>	<u>(174,897)</u>	<u>450,417</u>	<u>2,294,423</u>
<b>Other Financing Sources (Uses)</b>						
Advances In	227,676	0	0	0	149,327	377,003
Advances Out	(219,327)	0	0	0	(157,676)	(377,003)
Transfers In	0	224,803	31,797	0	711,924	968,524
Transfers Out	(365,157)	0	(400,000)	0	(83,875)	(849,032)
Loan to Perry County Regional Airport Authority	(175,000)	0	0	0	0	(175,000)
Repayment of Perry County Regional Airport Authority Loan	175,000	0	0	0	0	175,000
<i>Total Other Financing Sources (Uses)</i>	<u>(356,808)</u>	<u>224,803</u>	<u>(368,203)</u>	<u>0</u>	<u>619,700</u>	<u>119,492</u>
<i>Net Change in Fund Balances</i>	740,973	307,341	470,381	(174,897)	1,070,117	2,413,915
<i>Fund Balances Beginning of Year</i>	<u>2,221,546</u>	<u>234,136</u>	<u>3,141,864</u>	<u>2,385,096</u>	<u>3,908,360</u>	<u>11,891,002</u>
<i>Fund Balances End of Year</i>	<u>\$2,962,519</u>	<u>\$541,477</u>	<u>\$3,612,245</u>	<u>\$2,210,199</u>	<u>\$4,978,477</u>	<u>\$14,304,917</u>

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, 2007**

**Net Change in Fund Balances - Governmental Funds** \$2,413,915

*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.

415,428

**Change in Net Assets of Governmental Activities**

\$2,829,343

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, 2007**

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
<b>Receipts</b>				
Property Taxes	\$1,685,000	\$1,685,000	\$1,758,265	\$73,265
Sales Taxes	1,750,000	1,750,000	1,801,610	51,610
Payment in Lieu of Taxes	27,482	27,482	27,482	0
Charges for Services	1,340,882	1,138,915	989,449	(149,466)
Licenses and Permits	2,700	2,700	3,152	452
Fines and Forfeitures	302,100	306,900	355,992	49,092
Intergovernmental	676,625	676,625	706,305	29,680
Investment Income	500,000	500,000	912,858	412,858
Other Receipts	2,500	2,500	36,144	33,644
<i>Total Receipts</i>	<u>6,287,289</u>	<u>6,090,122</u>	<u>6,591,257</u>	<u>501,135</u>
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	2,026,054	2,381,388	2,076,248	305,140
Judicial	1,142,561	1,155,209	1,056,323	98,886
Public Safety	1,777,048	1,910,325	1,753,016	157,309
Public Works	0	0	37,062	(37,062)
Public Works - Intergovernmental	0	0	29,563	(29,563)
Health	94,093	109,593	105,303	4,290
Human Services	294,001	296,186	262,633	33,553
Conservation and Recreation	265,248	265,248	265,248	0
Debt Service:				
Principal	13,800	47,251	0	47,251
Interest and Fiscal Charges	15,000	68,718	0	68,718
<i>Total Disbursements</i>	<u>5,627,805</u>	<u>6,233,918</u>	<u>5,585,396</u>	<u>648,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>659,484</u>	<u>(143,796)</u>	<u>1,005,861</u>	<u>1,149,657</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	227,676	227,676
Advance Out	(4,500)	(375,890)	(313,081)	62,809
Transfers Out	(229,668)	(229,668)	(365,157)	(135,489)
Loan to Perry County Regional Airport Authority	(175,000)	(175,000)	(175,000)	0
Repayment of Perry County Regional Airport Authority Loan	0	0	175,000	175,000
<i>Total Other Financing Sources (Uses)</i>	<u>(409,168)</u>	<u>(780,558)</u>	<u>(450,562)</u>	<u>329,996</u>
<i>Net Change in Fund Balance</i>	250,316	(924,354)	555,299	1,479,653
<i>Fund Balance Beginning of Year</i>	2,143,254	2,143,254	2,143,254	0
Prior Year Encumbrances Appropriated	78,292	78,292	78,292	0
<i>Fund Balance End of Year</i>	<u>\$2,471,862</u>	<u>\$1,297,192</u>	<u>\$2,776,845</u>	<u>\$1,479,653</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Receipts, Disbursements and Changes**  
**in Fund Balance - Budget and Actual (Budget Basis)**  
**Job and Family Services Fund**  
**For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Charges for Services	\$0	\$0	\$305,709	\$305,709
Intergovernmental	6,805,000	6,638,381	\$6,541,162	(\$97,219)
Miscellaneous	255,000	169,459	176,598	7,139
<i>Total Receipts</i>	<u>7,060,000</u>	<u>6,807,840</u>	<u>7,023,469</u>	<u>215,629</u>
<b>Disbursements</b>				
Current:				
Human Services	7,254,500	7,022,562	7,014,817	7,745
<i>Excess of Receipts Under Disbursements</i>	(194,500)	(214,722)	8,652	223,374
<b>Other Financing Sources</b>				
Transfers In	265,000	224,803	224,803	0
<i>Net Change in Fund Balance</i>	70,500	10,081	233,455	223,374
<i>Fund Balance Beginning of Year</i>	54,136	54,136	54,136	0
Prior Year Encumbrances Appropriated	180,000	180,000	180,000	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$304,636</u>	<u>\$244,217</u>	<u>\$467,591</u>	<u>\$223,374</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Receipts, Disbursements and Changes**  
**in Fund Balance - Budget and Actual (Budget Basis)**  
**Mental Retardation and Developmental Disabilities**  
**For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$1,719,626	\$1,719,626	\$1,418,252	(\$301,374)
Charges for Services	81,824	88,822	944,220	855,398
Intergovernmental	2,003,202	1,738,811	1,800,812	62,001
Miscellaneous	116,183	106,118	226,418	120,300
<i>Total Receipts</i>	<u>3,920,835</u>	<u>3,653,377</u>	<u>4,389,702</u>	<u>736,325</u>
<b>Disbursements</b>				
Current:				
Public Health	3,693,111	4,259,940	3,768,408	491,532
<i>Excess of Receipts Over (Under) Disbursements</i>	227,724	(606,563)	621,294	1,227,857
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	31,797	31,797
Transfers Out	0	0	(400,000)	(400,000)
<i>Total Other Financing Sources (Uses)</i>	0	0	(368,203)	(368,203)
<i>Net Change in Fund Balance</i>	227,724	(606,563)	253,091	859,654
<i>Fund Balance Beginning of Year</i>	2,924,844	2,924,844	2,924,844	0
Prior Year Encumbrances Appropriated	217,020	217,020	217,020	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$3,369,588</u>	<u>\$2,535,301</u>	<u>\$3,394,955</u>	<u>\$859,654</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Receipts, Disbursements and Changes**  
**in Fund Balance - Budget and Actual (Budget Basis)**  
**Auto License and Gasoline Tax Fund**  
**For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Fines and Fees	\$17,450	\$19,450	\$17,664	(\$1,786)
Intergovernmental	4,392,550	4,297,428	4,207,976	(89,452)
Interest	60,000	76,500	74,136	(2,364)
<i>Total Receipts</i>	<u>4,470,000</u>	<u>4,393,378</u>	<u>4,299,776</u>	<u>(93,602)</u>
<b>Disbursements</b>				
Current:				
Public Works	4,843,201	5,038,426	4,641,708	396,718
Capital Outlay	236,713	228,272	153,900	74,372
Total Disbursements	<u>5,079,914</u>	<u>5,266,698</u>	<u>4,795,608</u>	<u>471,090</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(609,914)	(873,320)	(495,832)	(377,488)
<i>Net Change in Fund Balance</i>	(609,914)	(873,320)	(495,832)	(377,488)
<i>Fund Balance Beginning of Year</i>	1,930,182	1,930,182	1,930,182	0
Prior Year Encumbrances Appropriated	<u>454,914</u>	<u>454,914</u>	<u>454,914</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,775,182</u>	<u>\$1,511,776</u>	<u>\$1,889,264</u>	<u>(\$377,488)</u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Fund Net Assets - Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2007**

	Business-Type Activities		Total	Governmental Activity-
	Sewer	Water		Internal Service
	Enterprise Fund	Enterprise Fund		Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$426,132	\$179,790	\$605,922	\$1,339,958
<i>Total Assets</i>	\$426,132	\$179,790	\$605,922	\$1,339,958
<b>Net Assets</b>				
Unrestricted	\$426,132	\$179,790	\$605,922	\$1,339,958
<i>Total Net Assets</i>	\$426,132	\$179,790	\$605,922	\$1,339,958

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Modified Cash Receipts, Disbursements and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

	Business-Type Activities		Total	Governmental Activities-
	Sewer Enterprise Fund	Water Enterprise Fund		Internal Service Fund
<b>Operating Receipts</b>				
Charges for Services	\$306,861	\$659,363	\$966,224	\$0
Charges for Services - Health Benefits	0	0	0	2,949,508
Interest Income	0	0	0	4,546
Miscellaneous	0	0	0	11,797
<i>Total Operating Receipts</i>	<u>306,861</u>	<u>659,363</u>	<u>966,224</u>	<u>2,965,851</u>
<b>Operating Disbursements</b>				
Personal Services	69,739	60,954	130,693	0
Contractual Services	88,080	243,013	331,093	0
Contractual Services - Health Benefits	0	0	0	670,767
Materials and Supplies	32,309	36,149	68,458	0
Claims - Health Benefits	0	0	0	1,879,656
Capital Outlay	3,629,782	626,910	4,256,692	0
Other	15,458	13,352	28,810	0
Debt Service				
Principal	2,118,022	221,109	2,339,131	0
Interest	22,564	84,558	107,122	0
<i>Total Operating Disbursements</i>	<u>5,975,954</u>	<u>1,286,045</u>	<u>7,261,999</u>	<u>2,550,423</u>
<i>Operating Gain (Loss)</i>	(5,669,093)	(626,682)	(6,295,775)	415,428
<b>Non-Operating Receipts (Disbursements)</b>				
Transfer-Out	0	(119,492)	(119,492)	0
Advances In	40,000	30,000	70,000	0
Advances Out	(40,000)	(30,000)	(70,000)	0
Capital Grants	400,000	0	400,000	0
Proceeds of Notes	5,373,005	554,100	5,927,105	0
<i>Change in Net Assets</i>	103,912	(192,074)	(88,162)	415,428
<i>Net Assets Beginning of Year</i>	<u>322,220</u>	<u>371,864</u>	<u>694,084</u>	<u>924,530</u>
<i>Net Assets End of Year</i>	<u><u>\$426,132</u></u>	<u><u>\$179,790</u></u>	<u><u>\$605,922</u></u>	<u><u>\$1,339,958</u></u>

See accompanying notes to the basic financial statements

**Perry County, Ohio**  
**Statement of Fiduciary Net Assets - Modified Cash Basis**  
**Agency Funds**  
**December 31, 2007**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,024,860
Cash and Cash Equivalents in Segregated Accounts	<u>175,908</u>
<i>Total Assets</i>	<u><u>\$2,200,768</u></u>
<b>Net Assets:</b>	
Total Net Assets	<u><u>\$2,200,768</u></u>

See accompanying notes to the financial statements

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**Note 1 – Reporting Entity**

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

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

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

**A. Primary Government**

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

**B. Component Units**

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

**Discretely Presented Component Units**

The component unit columns on the financial statements identify the financial data of the County's component units, the Perry County Regional Airport Authority and PERCO, Inc. These are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Notes 17 and 18 to the basic financial statements.

The Perry County Regional Airport Authority (the Authority) was created by resolution of the County Commissioners under Ohio Revised Code Section 308.01. The purpose of the Authority is for the acquisition, construction, operation and maintenance of the airport and its facilities in Perry County. The Authority operates under the direction of a six-member Board of Trustees, appointed by the County Commissioners. A Secretary-Treasurer is responsible for the fiscal accounting of the resources of the Authority. Services provided by the Authority include the means by which to aid the safe taking off and landing of aircraft, storage and maintenance of aircraft, and the safe and efficient operation of the airport. The Authority is considered to be a component unit of Perry County and is discretely presented.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

The nature and significance of the relationship between the County and the Authority is such that exclusion would cause the County's financial statements to be misleading. The Authority operates on a fiscal year ending on December 31.

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

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

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

***Perry County General Health District*** The District is governed by the Board of Health which oversees the operation of the District and is elected by a regional advisory council comprised of township trustees, mayors of participating municipalities, and one County Commissioner. The 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 and 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 General Health District; 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 Education 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

In 2007, 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 2007. Each member county is responsible for a portion of the capital and operating budget as follows:

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

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

The County participates in several jointly governed organizations and a public entity risk pool. These organizations are presented in Notes 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

As discussed further in Note 2C, 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.

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

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.

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:

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

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

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

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

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**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 and the Perry County Regional Airport Authority 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 Mid East Ohio Regional Council (See Note 14) is recorded as "Cash with Fiscal Agents."

Cash and cash equivalents of PERCO, Inc. are held by the component unit and are recorded as "Cash and Cash Equivalents 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 2007, 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, except for STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

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 2007 amounted to \$706,305, which includes \$576,627 assigned from other County funds.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

N. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. The government-wide statement of net assets reports \$11,440,501 of restricted net assets, of which none is restricted by enabling legislation.

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

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 - Change in Accounting Principles**

For 2007, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for OPERS post-employment healthcare plans in the amount of \$0, which is the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

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**Note 3 - Change in Accounting Principles** (continued)

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**Note 4 – Accountability and Compliance**

A. The following budgetary violations were noted:

Contrary to Ohio law, commitments were incurred without first obtaining the fiscal officer’s certification that funds were available free from any previous encumbrances.

Also contrary to Ohio law, total expenditures exceeded total appropriations in the following funds and by the following amounts:

Fund	Variance
State Fund	\$21,496
Comprehensive Mental Health Fund	245,024
Unclaimed Monies Fund	15,829
Joint County Medical Insurance Fund	2,990,472

B. 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) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to:

General Fund	\$185,674
Major Special Revenue Funds:	
Job and Family Services	73,886
MRDD Fund	217,290
Auto License and Gasoling Tax Fund	320,935

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**Note 6 – Deposits and Investments**

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

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

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories.

Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

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

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

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the County's deposits was \$9,980,840 and the bank balance was \$10,413,847. Of the bank balance \$665,380 was covered by Federal depository insurance and \$9,748,467 was exposed to custodial credit risk because it was uninsured and uncollateralized. This does not include \$1,121,222 in Cash with Fiscal Agents which is held by MEORC which cannot be disclosed by risk because it is commingled with other Counties' moneys.

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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 6 – Deposits and Investments** (continued)

**Investments**

Investments are reported at fair value. As of December 31, 2007, the County had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Money Market Mutual Funds	\$8,501	7 Days
Federal Home Loan Mortgage Securities	275,162	February 14, 2008
Federal National Mortgage Association Note	1,100,000	October 28, 2009
Federal National Mortgage Association Note	401,376	March 21, 2012
Federal Home Loan Mortgage Securities	351,505	December 15, 2012
STAROhio	5,212,959	41 Days
Total Portfolio	<u>\$7,349,503</u>	

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

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

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The County's investment policy places no limit on the amount it may invest in any one issuer. The following is the County's allocation as of December 31, 2007:

<u>Investment Issuer</u>	<u>Percentage of Investments</u>
Money Markets	0.11%
Federal Home Loan Mortgage Securities	8.53%
Federal National Mortgage Association Note	20.43%
STAROhio	70.93%

**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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009.

The full tax rate for all County operations for which 2007 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 2007 property tax receipts were based are as follows:

Real Property	\$352,162,570
Public Utility Tangible Personal Property	42,638,760
Tangible Personal Property	11,818,600
Total Assessed Value	<u><u>\$406,619,930</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established. The due dates for 2007 were May 31 and September 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**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 2007, 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	40,899,927
Equipment Breakdown	100,000,000
Crime	1,000,000
Uninsured Motorists Liability	250,000
Stop Gap Liability	1,000,000
Medical Professional Liability	6,000,000
Bridges	340,417

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 2007, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

For 2007, the County participated in the County Commissioners Association of Ohio Service Corporation, a worker's compensation group rating plan (Plan). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants.

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the Plan. Each county pays its workers' compensation premium to the State based on the rate for the Plan rather than the county's individual rate.

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

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

The County provides employee medical coverage through a self insured program. The County established a Medical Insurance Fund (an internal service fund) to account for and finance employee health benefits. Under this program, the Medical Insurance Fund provides coverage up to a maximum of \$75,000 per year for each individual.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three years.

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

**Note 10 – Defined Benefit Pension Plans**

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety division exist only within the traditional pension plan.

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classification contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The County's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the County's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$838,079, \$957,422, and \$933,782, respectively; 100 percent has been contributed for 2007, 2006 and 2005. There were no contributions made by plan members to the member-directed plan for 2007.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**Note 11 – Postemployment Benefits**

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

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

The County’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$544,702, \$461,453 and \$391,113 respectively; the full amounts have been contributed for 2007, 2006 and 2005.

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

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

**Note 12 – Long Term Obligations**

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

	Interest Rate	Principal Outstanding 12/31/2006	Additions	Deductions	Principal Outstanding 12/31/2007	Amount Due Within One Year
<b>Governmental Activities</b>						
<u>General Obligation Bonds:</u>						
2001 - Various Purpose Improvement Bonds	3.6%-5.1%	\$3,750,000	\$0	\$180,000	\$3,570,000	\$185,000
Total Governmental Activities		<u>\$3,750,000</u>	<u>\$0</u>	<u>\$180,000</u>	<u>\$3,570,000</u>	<u>\$185,000</u>
<b>Business Type Activities</b>						
<u>Ohio Public Works Commission Notes:</u>						
1994 Thornport Water Project	2.00%	\$347,886	\$0	\$37,940	\$309,946	\$38,702
2002 Water Systems Improvement Project	2.00%	65,903	0	0	65,903	2,710
2002 Sanitary Sewer Improvements II Project	2.00%	236,555	0	0	236,555	9,726
Total Ohio Public Works Commission Notes		<u>650,344</u>	<u>0</u>	<u>37,940</u>	<u>612,404</u>	<u>51,138</u>
<u>Ohio Water Development Authority Notes:</u>						
<b><u>Water:</u></b>						
1998 Buckeye Lake Water Lines	5.76%	448,199	0	58,869	389,330	62,260
2000 Water Line Construction	6.41%	99,255	0	3,059	96,196	3,258
2001 Water Meter Installation	1.50%	255,119	0	8,480	246,639	8,608
2001 Water Design	5.55%	34,028	1,301	0	35,329	0
2004 Waterline Extension	1.00%	469,338	0	14,309	455,029	14,452
2004 Waterline Extension Phase 1B	1.00%	482,906	0	14,150	468,756	14,291
2005 Waterline Extension Phase 1 C	1.00%	2,886,976	0	84,302	2,802,674	0
2007 BORWD Waterline Extension	1.00%	0	550,696	0	550,696	0
Total Water		<u>4,675,821</u>	<u>551,997</u>	<u>183,169</u>	<u>5,044,649</u>	<u>102,869</u>
<b><u>Sewer:</u></b>						
2000 Robinwood Estates Sewer Improvments	6.03%	53,627	0	1,569	52,058	1,665
2000 Crown Wehrle WWTP Improvments	6.03%	25,941	2,104	0	28,045	897
2001 Wastewater Design	1.00%	1,708,913	10,693	1,719,606	0	0
2002 Ceramic Road Area Sewers	1.00%	670,054	0	22,201	647,853	22,423
2003 Northern Perry Sewers Phase I	1.00%	1,037,530	0	33,652	1,003,878	33,989
2003 Wastewater Planning	5.50%	338,573	2,421	340,994	0	0
2007 Sewer Extension Phase II	1.50%	0	5,359,890	0	5,359,890	0
Total Sewer		<u>3,834,638</u>	<u>5,375,108</u>	<u>2,118,022</u>	<u>7,091,724</u>	<u>58,974</u>
Total Ohio Water Development Authority Notes		<u>8,510,459</u>	<u>5,927,105</u>	<u>2,301,191</u>	<u>12,136,373</u>	<u>161,843</u>
Total Business-Type Activities		<u>\$9,160,803</u>	<u>\$5,927,105</u>	<u>\$2,339,131</u>	<u>\$12,748,777</u>	<u>\$212,981</u>

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

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

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

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%

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

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

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

Year Ended December 31,	General Obligation Bonds	Interest
2008	\$185,000	\$174,715
2009	195,000	166,945
2010	205,000	158,658
2011	210,000	149,843
2012	220,000	140,393
2013-2017	1,280,000	526,575
2018-2021	1,275,000	166,769
Total	\$3,570,000	\$1,483,898

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

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

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 12 – Long Term Obligations** (continued)

The Ohio Public Works Commission (OPWC) Water System Improvement Project Note was entered into in 2002 in the amount of \$65,903 for the purpose of financing improvements to the water system. The loan will be repaid in semiannual installments of \$2,007, including interest, over 20 years. This loan is collateralized by utility receipts. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

<u>Year Ended</u> <u>December 31,</u>	<u>Ohio Public</u> <u>Works</u> <u>Commission</u>	<u>Interest</u>
2008	\$41,412	\$7,984
2009	42,244	6,478
2010	43,094	5,630
2011	43,959	4,763
2012	44,843	3,880
2013-2017	124,078	7,768
2018-2022	17,209	2,862
2023-2027	19,010	1,061
Total	<u>\$375,849</u>	<u>\$40,426</u>

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

The Ohio Public Works Commission (OPWC) Sanitary Sewer Improvements II Project Note was entered into in 2002 in the amount of \$236,555 for the purpose of financing improvements to the sewer system. The loan will be repaid in semiannual installments of \$7,204, including interest, over 20 years. This loan is collateralized by utility receipts. The County has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 12 – Long Term Obligations** (continued)

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

Year Ended December 31,	Ohio Public Works Commission	Interest
2008	\$9,726	\$7,101
2009	9,922	4,487
2010	10,121	4,288
2011	10,325	4,084
2012	10,532	3,877
2013-2017	55,921	16,122
2018-2022	61,773	10,272
2023-2027	68,235	3,809
Total	\$236,555	\$54,040

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

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) 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.

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, 2007, the County had drawn down \$1,553,401 and transferred \$310,000 of the loan to the Waterline Extension and Waterline Extension Phase IB notes described below. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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, 2007, the County has drawn down \$490,536, \$489,928, and \$3,502,433, respectively and principal payments of \$14,309, \$14,150 and \$84,302, respectively were made on the Waterline Extension Notes during 2007. The County has agreed to set utility rates sufficient to cover the debt service requirements of these notes.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

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

The Ohio Water Development Authority (OWDA) BORWD Waterline Extension Loan relates to a project for the construction of waterlines and an elevated water tank to supply water to the Northern Perry County Water District and the Village of Junction City. As of December 31, 2007, the County had drawn down \$550,696.

This loan will be repaid over thirty years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,655,950 in OWDA loans issued from 1998 to 2007. Proceeds from these loans provided financing for various water projects. The loans are payable solely from customer net revenues and are payable through 2036. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 100 percent of net revenues in future years; however, in 2007, principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$1,981,187. Principal and interest payments for the current year were \$260,284, net revenues were (\$32,582) and total revenues were \$1,766,924.

During 2007, interest in the amount of \$1,693 was capitalized on the principal balances of the County's OWDA notes.

The OWDA notes listed above, except for the Buckeye Lake Water Lines, Water Meter Installation notes, Water Line Construction 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. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA notes without payment schedules:

Year Ended December 31,	Ohio Water Development Authority Notes	Interest
2008	\$102,870	\$41,374
2009	107,086	37,158
2010	111,527	32,716
2011	116,207	28,037
2012	121,138	23,106
2013-2017	267,404	72,730
2018-2022	248,387	49,404
2023-2027	243,132	26,541
2028-2032	226,490	12,162
2033-2036	111,709	2,009
Total	\$1,655,950	\$325,237

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

The Ohio Water Development Authority (OWDA) Robinwood Estates Sewer Improvement Loan relates to a project to reline the sanitary sewers serving the Robinwood Estates Subdivision. This loan will be repaid in semiannual installments of \$2,390, including interest, over twenty five years. The County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 12 – Long Term Obligations** (continued)

The Ohio Water Development Authority (OWDA) Crown Wehrle WWTP Improvements Loan is for improvements at the wastewater treatment plant mandated by the Ohio Environmental Protection Agency. This loan will be repaid in annual installments of \$1,287, 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) 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. During 2007, the County had drawn down \$1,719,606 and this principal amount was paid off by the County.

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, 2007, the County had drawn down \$1,136,495 and made principal payments in the amount of \$132,617. 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 April 9, 2007, the County had drawn down \$340,994 and this principal amount was paid off by the County.

The Ohio Water Development Authority (OWDA) Sewer Expansion Phase II Loan relates to a project for the installation of sewage lines located in the Buckeye Lake vicinity and the sewage will be sent to the Crown Wehrle Wastewater Treatment Plant. As of December 31, 2007, the County had drawn down \$5,359,890. This loan will be repaid over thirty years and the County has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The County has pledged future customer revenues, net of specified operating expenses, to repay \$1,731,834 in OWDA loans issued from 1998 to 2007. Proceeds from these loans provided financing for various sewer projects. The loans are payable solely from customer net revenues and are payable through 2033. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense. Annual principal and interest payments on the loans are expected to require less than 100 percent of net revenues in future years; however, in 2007, principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$2,010,576. Principal and interest payments for the current year were \$2,140,781, net revenues were \$143,912 and total revenues were \$6,119,866.

During 2007, interest in the amount of \$83,948 was capitalized on the principal balances of the County's OWDA notes.

The OWDA notes listed above, except for the Robinwood Estates Sewer Improvements, Crown Wehrle WWTP Improvements, Ceramic Road Area Sewers Note, Northern Perry County Sewers Phase I Note are not included in the following amortization schedule since OWDA has not established a payment schedule. Amortization of the above debt, including interest, is scheduled as follows, except for those OWDA notes without payment schedules:

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

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

Year Ended December 31,	Ohio Water Development Authority Notes	Interest
2008	\$58,975	\$21,269
2009	59,697	20,446
2010	60,435	19,709
2011	61,188	18,955
2012	61,959	18,185
2013-2017	321,979	78,740
2018-2022	344,188	56,530
2023-2027	354,132	31,877
2028-2032	351,314	12,632
2033-2036	57,967	399
Total	\$1,731,834	\$278,742

**Note 13 – Transfers and Advances**

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer to	Transfer from				Total
	General Fund	MRDD	Other Non-Major Governmental Funds	Water Fund	
Major Funds:					
General Fund	\$0	\$0	\$0	\$0	\$0
Job and Family Services	224,803	0	0	0	224,803
Mental Retardation	0	0	31,797	0	31,797
Other Non-Major					
Governmental Funds	140,354	400,000	52,078	119,492	711,924
Total All Funds	\$365,157	\$400,000	\$83,875	\$119,492	\$968,524

Advances for the year ended December 31, 2007, consisted of the following:

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
 December 31, 2007

**Note 13 – Transfers and Advances** (continued)

Advance to	General Fund	Other Nonmajor Governmental	Water Fund	Sewer Fund	Total
Major Funds:					
General Fund	\$0	\$157,676	\$30,000	\$40,000	\$227,676
Other Non-Major					
Governmental Funds	149,327	0	0	0	149,327
Water Fund	30,000	0	0	0	30,000
Sewer Fund	40,000	0	0	0	40,000
Total All Funds	<u>\$219,327</u>	<u>\$157,676</u>	<u>\$30,000</u>	<u>\$40,000</u>	<u>\$447,003</u>

The advances are due to lags between the dates when goods and services are provided, transactions recorded in the accounting system, and payments between funds are made. Also, short term loans were advanced from the General Fund to the Real Estate Assessment, Senior Center, Certificate of Title Administration, and CCA Program Special Revenues Funds and Water and Sewer Enterprise Funds.

**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. 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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

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

**C. Mental Health and Recovery Services of Muskingum County**

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

**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 Education 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 County 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**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 27 members representing the following counties: Athens, Hocking, Meigs, Perry and Vinton. Each county has a minimum of one Chief Elected Official (CEO) and his/her appointees to the board. Appointees of the CEO are local business leaders, educators, as well as State mandated representatives from the respective county. In 2007, 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 withdrawl, upon the recommendation of the County Juvenile Court Judge, it may sell or lease its interest in the System to another participating county.

**Note 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.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**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, 2007.

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 – Perry County Regional Airport Authority**

The following are the Perry County Regional Airport Authority (the Authority) notes to the financial statements for the year ended December 31, 2007:

A. Summary of Significant Accounting Policies

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

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

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

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

B. Cash and Cash Equivalents

At December 31, 2007, the carrying amount of the Authority's deposits was \$11,805 and the bank balance was \$11,805. The bank balance was part of a cash pool managed by the Perry County Treasurer.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**Note 18 – PERCO, Inc**

The following are the PERCO, Inc. notes to the financial statements for the year ended December 31, 2007:

A. Nature of Activities

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

An ongoing agreement with Perry County Board of Mental Retardation and Developmental Disabilities (currently renewed through January 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 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.

Presentation of Sales Tax: The State of Ohio and counties within the State impose a sales tax on all of PERCO's sales to non-exempt customers. PERCO collects that sales tax from customers and remits the entire amount to the State. PERCO's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

C. Cash

As of December 31, 2007 and 2006, cash consisted of the following:

	<u>2007</u>	<u>2006</u>
Cash checking account - Peoples National Bank	\$146,084	\$131,460
Certificates of Deposit	319,278	307,133
Total Cash	<u>\$465,362</u>	<u>\$438,593</u>

At December 31, 2007 and 2006, \$110,420 and \$94,985, respectively, of cash was not covered by FDIC insurance.

**Perry County, Ohio**  
*Notes to the Basic Financial Statements*  
*December 31, 2007*

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**Note 18 – PERCO, Inc** (continued)

PERCO established a checking account in January 2006 held at Peoples National Bank and is acting in an agency capacity to the Perry County Board of MRDD in order to assist disabled persons and their families. The Perry County Board of 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 the Perry County Board of MRDD have the authority to sign checks.

During 2007 deposits totaled \$86,526 and disbursements totaled \$86,526. 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 40% and 46% of its cash receipts during 2007 and 2006, respectively, from a recycling contract with Perry County.

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Expenditures	Noncash Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through Ohio Department of Education:</i>				
Food Donation Program	N/A	10.550		\$3,872
Nutrition Cluster:				
School Breakfast Program	N/A	10.553	\$12,950	
National School Lunch Program	N/A	10.555	21,064	
Total Nutrition Cluster			34,014	3,872
Total United States Department of Agriculture			34,014	3,872
<b>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant - State Program	B-C-05-059-01	14.228	52,906	
	B-F-05-059-01	14.228	198,895	
	B-F-06-059-01	14.228	158,578	
	B-W-06-059-01	14.228	364,737	
Total Community Development Block Grants/States Program			775,116	0
HOME Investments Partnership Program	B-C-05-059-02	14.239	135,629	
Total United States Department of Housing and Urban Development			910,745	0
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Department of Public Safety:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2005-JG-LLE-5208	16.738	16,948	
Total United States Department of Justice			16,948	0
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>				
<i>Direct Program:</i>				
Airport Improvement Program	3-39-0059-0304	20.106	52,360	
	3-39-0059-0405		11,500	
	3-39-0059-0506		198,428	
Total Airport Improvement Program			262,288	0
<i>Passed Through Ohio Department of Transportation:</i>				
Highway Planning and Construction	75207	20.205	2,538	
Formula Grants for Other Than Urbanized Areas	RPT-4064-026-071	20.509	78,525	
	RPT-4064-026-072		16,696	
Total Formula Grants for Other Than Urbanized Areas			95,221	
Total United States Department of Transportation			360,047	0
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
<i>Direct Program:</i>				
Retired and Senior Volunteer Program	07SRNOH001	94.002	39,123	
Total Corporation for National and Community Service			39,123	0
<b>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Department of Public Safety:</i>				
State Domestic Preparedness Equipment Support Program	2006-GC-T6-0051	97.004	8,644	
Homeland Security Grant Program	2006-GE-T6-0051	97.067	33,733	
Medical Reserve Corps Small Grant Program	1MRCSG061001-01	93.008	6,000	
Total United States Department of Homeland Security			48,377	0

(continued)

PERRY COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Grantor/Award Number	Federal CFDA Number	Expenditures	Noncash Expenditures
<b>UNITED STATES DEPARTMENT OF LABOR</b>				
<i>Passed Through WIA Area 14:</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Youth	N/A	17.259	\$178,826	
Workforce Investment Act - Youth Administrative	N/A	17.259	9,153	
Workforce Investment Act - Youth Total			<u>187,979</u>	<u>\$0</u>
Workforce Investment Act - Adult	N/A	17.258	180,121	
Workforce Investment Act - Adult	N/A	17.258	9,219	
Workforce Investment Act - Adult Total			<u>189,340</u>	<u>0</u>
Workforce Investment Act - Dislocated Worker	N/A	17.260	122,708	
Workforce Investment Act - Dislocated Worker	N/A	17.260	6,281	
Workforce Investment Act - Dislocated Worker Total			<u>128,989</u>	<u>0</u>
Total Workforce Investment Act Cluster			<u>506,308</u>	<u>0</u>
Total United States Department of Labor			<u>506,308</u>	<u>0</u>
<b>Total Federal Awards Expenditures</b>			<u>\$1,915,562</u>	<u>\$3,872</u>

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

**PERRY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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 – CHILD NUTRITION CLUSTER**

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

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

**NOTE C – 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, 2007, the gross amount of loans outstanding under this program was \$502,070.

**NOTE D – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has complied with the matching requirements. The 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 units, each major fund, and the aggregate remaining fund information of Perry County, Ohio (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 7, 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 financial statements of PERCO, Inc. as described in our opinion on the County's financial statements. This report does not include the results of the other 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 basic 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.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002, 2007-003, and 2007-005 through 2007-010.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 7, 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 2007-001, 2007-004 and 2007-005. 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 November 7, 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, CPA**  
Auditor of State

November 7, 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, 2007. 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, 2007. 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 2007-011.

#### 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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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 2007-011 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, CPA**  
Auditor of State

November 7, 2008

PERRY COUNTY  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2007**

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

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

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

**FINDING NUMBER 2007-001**

**Noncompliance Finding – GAAP Annual Financial Report**

Ohio Rev. Code Section 117.38 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.

**PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

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

**FINDING NUMBER 2007-001 (Continued)**

**Noncompliance Finding – Ohio Rev. Code Section 117.38 (Continued)**

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.

According to County management, due to the County's limited resources, it would not be cost effective to report in accordance with generally accepted accounting principles.

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

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

For 2007, the County Auditor prepared a cash basis financial report but followed the GASB Statement 34 reporting format in order to prevent the County from receiving an adverse opinion.

**FINDING NUMBER 2007-002**

**Significant Deficiency**

In accordance with Ohio Rev. Code Section 5705.28(A)(2) 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. Budgets are typically prepared based upon historical financial data and include both estimated receipts and disbursements. At the time the budget is prepared, the original certificate of estimated resources is also prepared, detailing amounts estimated to be received for taxes and other sources. On or about the first day of each fiscal year, Ohio Rev. Code Section 5705.36(A)(1) requires the fiscal officer of each subdivision and other taxing unit to certify to the County Auditor (as secretary of the Budget Commission) the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under Section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year, excluding any reserve balance in an account established under Section 5705.13 of the Revised Code for the purpose described in division (A)(1) of that Section, the principal of a nonexpendable trust fund established under Section 5705.131 of the Revised Code and any additions to principal arising from sources other than the reinvestment of investment earnings arising from that fund, and the balance in a reserve balance account established under Section 5705.132 of the Revised Code. Typically, the estimated taxes and other sources amounts do not change from the original certificate to the first amended certificate.

As required by law, the Board of County Commissioners adopted the County's 2007 tax budget on July 14, 2006. However, estimated taxes and other sources on the original certificate of estimated resources did not agree to the estimated revenues on the first amended certificate and there was no support for the variances.

PERRY COUNTY

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133 § .505  
 DECEMBER 31, 2007  
 (Continued)

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

**FINDING NUMBER 2007-002  
 (Continued)**

**Significant Deficiency (Continued)**

We noted the following variances:

<u>Fund Type</u>	<u>Original Certificate of Estimated Resources: Estimated Taxes</u>	<u>First Amended Official Certificate of Estimated Resources: Taxes</u>	<u>Variance</u>
General Fund	\$1,590,500	\$1,685,000	(\$94,500)
Special Revenue Fund	3,505,137	4,065,326	(560,189)

  

<u>Fund Types</u>	<u>Original Certificate of Estimated Resources: Estimated Other Sources</u>	<u>First Amended Official Certificate of Estimated Resources: Other Sources</u>	<u>Variance</u>
General Fund	\$3,991,143	\$4,151,407	(\$160,264)
Special Revenue Funds	20,434,110	21,585,144	(1,151,034)
Debt Service Funds	168,000	128,000	40,000
Capital Projects Funds	214,817	809,777	(594,960)
Enterprise Funds	646,500	666,500	(20,000)
Internal Service Fund	175,000	450,882	(275,882)

The aforementioned variances are presented by fund type since the County continues to prepare its budget documentation with funds classified by the fund types listed.

We believe this condition resulted from management's misunderstanding concerning the preparation of the amended certificates.

Certifying balances other than those supported by the County's records could cause estimates to be misstated on the budgetary financial statements and otherwise result in budgetary noncompliance.

Unless conditions have changed and amounts on amended certificates are known to not reflect the best current estimates, then they should not be amended. Making amendments without support could cause estimates to be misstated on the budgetary financial statements and otherwise result in budgetary noncompliance.

We recommend estimated revenue as presented on the official certificate of estimated resources be carried forward to the first amended certificate of estimated resources and combined with the prior year-end unencumbered fund balances to arrive at the total estimated resources to be certified on the first amended certificate of estimated resources, for each fund.

**PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002  
(Continued)**

**Significant Deficiency (Continued)**

**Officials' Response (from the Perry County Commissioners)**

The Perry County Auditor, beginning with the amended certificate adopted in 2009, plans to implement procedures that will enable that office to verify that taxes and other sources reported on the official certificate agree with those contained within the first amended certificate of estimated resources, unless it is known that an estimate should be modified and, in that case, documentation will be on file to support any changes.

**FINDING NUMBER 2007-003**

**Significant Deficiency**

As mentioned in finding number 2007-002, Ohio Rev. Code Section 5705.36(A)(1) requires that, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the County Auditor the total amount from all sources available for expenditure from each fund. The amount certified shall include any unencumbered balances that existed at the end of the preceding year, excluding any reserve balance in an account established under Ohio Rev. Code Section 5705.13, for the purpose described in division (A)(1) of that Section, and excluding the principal of a nonexpendable trust fund established under Ohio Rev. Code Section 5705.131 and any additions to principal arising from sources other than the reinvestment of investment earnings arising from that fund.

The County Auditor did prepare the first amended certificate on January 2, 2007 and included the unencumbered beginning fund balances by fund. However, the first amended official certificate of estimated resources included \$0 for the unencumbered January 1, 2007 balance of the Joint County Health Plan Fund. Subsequent amended certificates issued on March 2, 2007 and August 14, 2007 certified the Joint County Health Plan Fund with a January 1, 2007 unencumbered balance of \$202,692 and \$0, respectively.

Furthermore, the unencumbered fund balance included on the first amended certificate of estimated resources did not agree to the amount reported on the Statement of Cash Position Report at December 31, 2006 for the Joint County Health Plan Fund and several additional funds. Variances were noted in the following funds and amounts:

<b>Fund</b>	<b>December 31, 2006 Unencumbered Balance per the Statement of Cash Position Report</b>	<b>January 1, 2007 Unencumbered Balance per the Amended Official Certificates of Estimated Resources</b>	<b>Variance</b>
Child Support Enforcement Fund	\$5,934	\$5,773	\$161
DRETAC Prosecutor Fund	19,515	19,311	204
Joint County Health Plan Fund	50,816	0	50,816
Perry County Airport Fund	5,934	5,248	686

**PERRY COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2007**  
**(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency (Continued)**

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

Certifying unencumbered fund balances at amounts other than the actual unencumbered fund balances supported by the County's records causes the amended certificate to be misstated and could result in budgetary violations.

We believe this condition resulted from management's misunderstanding concerning the preparation of the amended certificates.

We recommend the County Auditor prepare the certification of unencumbered beginning fund balances on or about the first day of each fiscal year by certifying beginning fund balances, encumbrances, and unencumbered fund balances. This certification should be kept on file as evidence that this requirement has been met. Only unencumbered fund balances should be certified and this certification should be prepared only after valid outstanding purchase commitments are determined. Additionally, the unencumbered balance at January 1, 2007 should remain the same for all amended certificates and should agree to the ending cash balance per the December 31, 2006 Cash Position Report.

The Perry County Auditor plans to implement procedures to compare the amount for each fund beginning balance to the unencumbered cash balance on the statement of cash position at year end.

**FINDING NUMBER 2007-004**

**Noncompliance Finding**

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

Expenditures exceeded appropriations in the following funds and amounts as of December 31, 2007:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Unclaimed Monies Fund	\$0	\$15,829	(\$15,829)
State Reimbursement Fund	0	21,496	(21,496)
Comprehensive Mental Health Fund	0	245,024	(245,024)
Joint County Medical Insurance Fund	0	2,990,472	(2,990,472)

Expending funds in excess of appropriations could result in negative cash fund balances.

This noncompliance occurred since management was not aware of the requirements to adopt appropriations for these funds.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-004 (Continued)**

**Noncompliance Finding - Ohio Rev. Code Section 5705.41(B)**

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

**Officials' Response (from the Perry County Commissioners)**

The Perry County Auditor has taken steps to monitor expenditures and ensure that sufficient appropriations exist to meet the County's needs.

**FINDING NUMBER 2007-005**

**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. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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 County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 for counties may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution 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.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-005 (Continued)**

**Noncompliance Finding and Significant Deficiency – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

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

County personnel did not obtain the County Auditor's certificate prior to purchase commitments being incurred for 13% of the expenditures tested and there was no evidence the County followed the aforementioned exceptions. Several blanket purchase orders tested were issued subsequent to when commitments were incurred. We also noted several instances where blanket purchase orders were issued when County personnel indicated that their intent was to issue super blanket certificates.

We believe this noncompliance occurred as a result of two causes: 1.) County personnel did not fully understand the fiscal officer certification requirements, especially in the area of blanket purchase orders, and 2.) various County departments approved bills to be paid when they did not assure that the County Auditor's certification was obtained prior to commitments being incurred.

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 received prior approval. Failure to obtain prior certification could result in budgetary violations, including deficit spending.

To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend all County personnel obtain the County Auditor's certification prior to an obligation being incurred by the County. In rare instances when prior certification is not possible, "then and now" certification may be used. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The County Auditor should sign the certification prior to the County incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. We also recommend that County personnel 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)**

The County Auditor and County Commissioners intend to continue to improve in the enforcement of prior certification requirements throughout the County.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-006**

**Significant Deficiency – Monitoring Self Insurance Activity**

Self-insurance activity should be monitored by the County's insurance specialist and the Commissioners on a regular basis to assure activity is properly recorded.

The County's insurance specialist reviewed weekly claims statements and reconciled the self-insurance bank accounts each month. He presented the reconciled bank statements and a financial tracking report to the Commissioners on a monthly basis. The financial tracking report documented monthly balances, interest earned, administrative costs and claims submitted for payment. During those months in 2007 where claims submitted for payment did not equal claims actually paid, the financial tracking report did not accurately report ending balances.

This condition was a result of the insurance specialist reporting amounts on invoices received as disbursements rather than actual claims paid during the month.

As a result, the financial tracking report did not provide the Commissioners with accurate information in regards to monthly self-insurance activity and balances.

We recommend the insurance specialist present monthly bank statements, reconciliations, and the financial tracking report documenting actual monthly cash activity to the Commissioners for review. The Commissioners should then document their review in the minutes.

**Officials' Response (from the Perry County Commissioners)**

The County's insurance specialist will provide more accurate information in the future to allow the commissioners to monitor self insurance activity. The bank statements and financial tracking reports will be reviewed more closely and such review will be noted in the minutes.

**FINDING NUMBER 2007-007**

**Significant Deficiency - Direct Payments to Contractors**

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

During 2007, \$400,000 was spent on behalf of the County via the Ohio Public Works Commission (OPWC) where disbursements were made directly from OPWC to the applicable contractors. Loan proceeds in the amount of \$5,338,256 were also disbursed directly to contractors from the Ohio Water Development Authority (OWDA) without receipts and disbursements being recorded as memorandum entries by the County.

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

This condition resulted from a management oversight.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-007 (Continued)**

**Significant Deficiency - Direct Payments to Contractors (Continued)**

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

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

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

**FINDING NUMBER 2007-008**

**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.

Windows 2003 password and account policies included the following weaknesses:

- 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, we noted the following for the user network accounts:

- Password and account policies were overridden at the individual user profile.
- There were 7 of 43 accounts which were inactive. These were accounts that had not been used in the last 180 days since the file was created on April 16, 2008.
- There were 3 of 43 accounts that did not require a password.
- There were 38 of 43 accounts with passwords that never expired.
- There was 1 Auditor's office employee that was assigned "Administrator" type privileges who should not have this access based upon the employee's job responsibilities and needs.

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 a computer programs or data.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-008 (Continued)**

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

According to County management, these conditions were originally a result of the vendor and IT technician setting up the system in this manner and the County not recognizing the need for the additional controls.

We recommend the County implement Windows 2003 password parameter settings and 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 Perry County Auditor is currently working on password expiration, the number of times for failed login threshold and the number of times passwords are remembered.

**FINDING NUMBER 2007-009**

**Significant Deficiency - Logical Access Controls for SSI and Tyler Technologies, Inc. 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 application which handles the County's budgetary accounting data, where 18 total accounts were listed, 16 of which were County users:

- Of the 16 County users, two users had passwords that were less than 6 characters.
- All users had passwords that were set to be force-changed every 180 days.

The following weaknesses were identified for the Tyler Technologies, Inc. application, which handles the County's real estate operations:

- 13 were old user accounts,
- 2 were duplicate accounts (2 users with 2 accounts),
- The SY99 screen allows the user to change his/her password. Two of 24 accounts did not have access to this screen in order to change their password.

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.

According to County management, these conditions were originally a result of the vendor and IT technician setting up the system in this manner and the County not realizing the need for the additional controls.

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-009 (Continued)**

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

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 Perry County Auditor has taken the necessary steps according to standard password administration guidelines to safeguard passwords. Password lengths are now 6 characters long and maximum lifetimes are now 90 days. The County is currently in the process of having back up testing set up at its office.

**FINDING NUMBER 2007-010**

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

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 used the billing application, but there was 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.

According to County management, there were only two employees with one employee seldom using the system, usually only to look up bills.

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 Northern Perry County Water Office manager indicated that, as of the date of this report, each computer now has its own user ID and password. Passwords were established and the date recorded so they can be changed once every 90 days. Each password is six characters in length.

**PERRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2007-011
<b>CFDA Title and Number</b>	Food Donation – CFDA 10.550 Community Development Block Grant – CFDA 14.228 Edward Byrne Memorial Justice Assistance Grant – CFDA 16.738 Airport Improvement Program – CFDA 20.106 Highway Planning and Construction – CDFA 20.205 Formula Grants for Other Than Urbanized Areas – CFDA 20.509 State Domestic Preparedness Equipment Support Program – CDFA 97.004 Workforce Investment Act – Youth – CFDA 17.259 Workforce Investment Act – VSTP – CFDA 17.260
<b>Federal Award Number / Year</b>	See the Schedule of Federal Awards Expenditures
<b>Federal Agency</b>	U.S. Department of Agriculture - CFDA No. 10.550 U.S. Department of Housing and Urban Development – CFDA No. 14.228 U.S. Bureau of Justice Assistance – CFDA No. 16.948 U.S. Department of Transportation – CFDA No. 20.106, 20.205, 20.509 U.S. Department of Homeland Security – CFDA 97.004 WIA Area 14 – CFDA 17.259, 17.260
<b>Pass-Through Agency</b>	Ohio Department of Education Ohio Department of Development Ohio Department of Public Safety Ohio Department of Transportation 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 should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditures/expense transactions associated with grants, cost reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.”

PERRY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2007  
(Continued)

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

**FINDING NUMBER 2007-010 (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 numerous amounts for programs included on the Schedule which did not represent valid federal expenditures. We also identified several federal program expenditures that should have been presented on the Schedule but were not presented. Furthermore, we identified numerous federal programs that were properly included on the Schedule but with incorrect amounts reported. The total federal program expenditures which had been previously reported to us were \$4,277,720, which exceeded the actual total federal expenditures by \$2,358,286.

We believe this condition resulted from various County departments not submitting accurate data to the County Auditor.

As a result of the errors, it was necessary for us to perform additional procedures to assure the completeness and accuracy of the Schedule and to propose adjustments to the various Federal program expenditures. Failure to prepare an accurate Schedule could result in the need to perform additional audit procedures and/or the re-issuance of an audit report. In addition, future federal funding could be jeopardized.

We recommend the Board of County Commissioners adopt a policy requiring any County department that applies for and/or receives Federal funding to file a copy of all grant documents with the Board and notify the County Auditor of the grant specifications so that the County Auditor can assure the necessary funds have been established and the proper budgetary measures have been taken. The policy should also require each department administering Federal programs to report to the County Auditor a summary of each program's financial activity. (In the case of grants being administered on a reimbursement basis, local monies are typically advanced and expended prior to the actual receipt of Federal reimbursements. The expenditure of these local monies in anticipation of federal reimbursement is considered a federal expenditure and must be reported as such on the Schedule.)

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

The County Commissioners adopted a policy on September 5, 2008, requiring any department that received federal funding to file a copy of all grant documents with the Board and to notify the County Auditor of the grant specifications. The policy requires each department administering Federal programs to report in writing to the County Auditor a summary of each program's financial activity, including those funds received as grants and administered on a reimbursement basis.

**PERRY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
DECEMBER 31, 2007**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-011	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, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or No Longer Valid; Explain
2006-001	Employees of the County were allowed to accumulate vacation leave balances in excess of amounts authorized by the policy.	Yes	
2006-002	A finding for recovery was issued against Rita Bolyard and Diane Shriner, Perry County Auditor employees, and in favor of the Perry County General Fund for improper payment of vacation leave in lieu of using the vacation as compensated leave.	Yes	
2006-003	A finding for recovery was issued against Betty Beall, Perry County Children Services employee, for improper payment of 160 hours of vacation leave when she did not separate employment from the County.	Yes	
2006-004	A finding for recovery was issued against Ron Clark, former Perry County employee; Perry County Commissioners and their sureties; and Larry Householder, former Perry County Auditor, and his surety. Payment was made to Ron Clark for all of his earned but unused sick leave credit upon his retirement, rather than for one-fourth of his unused leave as permitted by policy.	Yes	
2006-005	Overtime and comp time approved by the Engineer's department should be done in accordance with their policy.	Yes	
2006-006	The County Auditor did not certify the availability of funds prior to purchase commitments being incurred.	No	Not Corrected: Repeated as Finding 2007-005 in the current audit.

PERRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A-133 § .315(b)  
 DECEMBER 31, 2007  
 (Continued)

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or No Longer Valid; Explain
2006-007	The County did not prepare financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: Repeated as Finding 2007-001 in the current audit.
2006-008	The County did not adopt a tax budget for the 2007 fiscal year.	Yes	
2006-009	Negative fund balances existed at each month's end during 2006.	No	Partially corrected: A verbal comment was issued.
2006-010	The County failed to obtain reduced amended certificates.	Yes	
2006-011	Appropriations exceeded estimated resources	Yes	
2006-012	Estimated receipts reflected on the final Amended Certificate of Estimated Resources did not agree with estimated receipts recorded on the accounting system at year end.	Yes	
2006-013	County employees should acknowledge they have received, read and understand the policies by which they are governed.	Yes	
2006-014	The County Commissioners failed to adequately monitor the County's budgetary and financial activity.	No	Partially Corrected: This Finding has been downgraded to a management letter item in the current audit.
2006-015	User access not adequately restricted for Treasurer's application.	Yes	

PERRY COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**OMB CIRCULAR A-133 § .315(b)**  
**DECEMBER 31, 2007**  
**(Continued)**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or No Longer Valid; Explain
2006-016	Logical access controls not adequate for Windows server passwords and accounts.	No	Not Corrected: Repeated as Finding 2007-008 in the current audit.
2006-017	Logical access controls not adequate for SSI and Tyler Technologies server passwords and accounts.	No	Not Corrected: Repeated as Finding 2007-009 in the current audit.
2006-018	Logical access controls not adequate for Northern Perry Water application.	No	Not Corrected: Repeated as Finding 2007-010 in the current audit.
2006-019	The Schedule of Federal Expenditures was not completed.	No	Additional Federal funding was omitted from the Federal Schedule and non-federal funding was included on the Federal Schedule; see Finding 2007-011 in the current audit.





**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  
DECEMBER 4, 2008**