



Dave Yost • Auditor of State



**SCIOTO COUNTY**  
**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities ....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ...	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund .....	21
Public Assistance Special Revenue Fund .....	22
Motor Vehicle Gas Tax Special Revenue Fund.....	23
Board of Developmental Disabilities Special Revenue Fund.....	24
Children Services Special Revenue Fund .....	25
Statement of Fund Net Assets – Enterprise Fund .....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Enterprise Fund .....	27
Statement of Cash Flows – Enterprise Fund .....	28
Statement of Fiduciary Assets and Liabilities – Agency Funds .....	29
Notes to the Basic Financial Statements .....	31
Federal Awards Expenditures Schedule.....	77
Notes to the Federal Awards Expenditures Schedule .....	81
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	83

SCIOTO COUNTY

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
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 .....	85
Schedule of Findings – OMB Circular A-133 § .505 .....	89
Schedule of Prior Audit Findings and Questioned Costs – OMB Circular A-133 § .315(b).....	109
Corrective Action Plan – OMB Circular A-133 § .315(c).....	110



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

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 Scioto County, Ohio (the County), as of and for the year ended December 31, 2010, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 25, as of January 1, 2010, the County restated its governmental activities' depreciable capital assets to record the cost of the Department of Job and Family Services building and the Board of Developmental Disabilities bus garage.

As discussed in Note 24 to the financial statements, the County has suffered recurring losses from operations and has a net asset deficiency. Note 24 describes Management's plans regarding these matters. In addition, on August 19, 2009 the Auditor of State determined a fiscal emergency existed, and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Federal Awards Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 23, 2011

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Scioto County's (the County) discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2010.

**FINANCIAL HIGHLIGHTS**

The County's total net assets increased \$8,018,109 during 2010. Net assets of governmental activities increased \$6,992,978. Net assets of the business-type activity increased \$1,025,131.

General revenues of governmental activities accounted for \$18,755,346. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest restricted to specific programs accounted for \$34,266,369.

The Sewer Enterprise Fund reflected operating income of \$1,053,057.

The County had \$46,028,737 in expenses related to governmental activities; \$34,266,369 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants and entitlements, property taxes and sales taxes) of \$18,755,346 were more than adequate to provide for these programs. The County had \$2,565,697 in expenses related to its business-type activity; all of which were offset by program specific charges for services and sales and capital grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column.

**REPORTING THE COUNTY AS A WHOLE**

*Statement of Net Assets and the Statement of Activities*

The analysis of the County as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if the County is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to those net assets. This change informs the reader whether the County's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the County's financial well-being. Some of these factors include the County's tax base and the condition of capital assets.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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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 services are reported here including general government, public safety, public works, health, human services, conservation and recreation, economic development and assistance, and transportation.

**Business-Type Activity** – This activity includes fees for sewer services that are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

The financial activities of STAR, Inc. and the Scioto County Airport Authority, both component units of Scioto County, are presented in separate columns on the Statement of Net Assets and as separately identified activities on the Statement of Activities. While the County provides services and resources to both STAR, Inc. and the Scioto County Airport Authority, these discrete presentations are made in order to emphasize that they are still legally separate organizations from the County. However, focus on the government-wide financial statements remains clearly on the County as the primary government.

## **REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS**

### *Fund Financial Statements*

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for the use of grants. The County's major funds are the General, Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, Children Services, and Sewer Funds.

**Governmental Funds** – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Enterprise Funds** – When the County charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

**THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2010 compared to 2009.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2010	Restated 2009	2010	2009	2010	Restated 2009
<b>Assets</b>						
Current and Other Assets	\$32,469,502	\$30,262,029	\$3,044,843	\$2,632,555	\$35,514,345	\$32,894,584
Investment in Joint Venture	227,591	140,292	0	0	227,591	140,292
Capital Assets, Net of Depreciation	82,500,881	80,820,843	17,587,327	16,783,540	100,088,208	97,604,383
<b>Total Assets</b>	<b>115,197,974</b>	<b>111,223,164</b>	<b>20,632,170</b>	<b>19,416,095</b>	<b>135,830,144</b>	<b>130,639,259</b>
<b>Liabilities</b>						
Current and Other Liabilities	8,626,371	10,010,780	250,813	406,903	8,877,184	10,417,683
Long-Term Liabilities:						
Due Within						
One Year	2,497,810	2,608,788	383,845	378,577	2,881,655	2,987,365
Due in More Than One Year	12,143,957	13,666,738	7,583,819	7,242,053	19,727,776	20,908,791
<b>Total Liabilities</b>	<b>23,268,138</b>	<b>26,286,306</b>	<b>8,218,477</b>	<b>8,027,533</b>	<b>31,486,615</b>	<b>34,313,839</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	72,071,585	68,767,720	9,670,390	9,287,232	81,741,975	78,054,952
Restricted for:						
Debt Service	390,012	788,134	0	0	390,012	788,134
Capital Projects	714,320	390,113	0	0	714,320	390,113
Other Purposes	19,773,482	17,932,753	0	0	19,773,482	17,932,753
Unrestricted (Deficit)	(1,019,563)	(2,941,862)	2,743,303	2,101,330	1,723,740	(840,532)
<b>Total Net Assets</b>	<b>\$91,929,836</b>	<b>\$84,936,858</b>	<b>\$12,413,693</b>	<b>\$11,388,562</b>	<b>\$104,343,529</b>	<b>\$96,325,420</b>

Current and other assets of the County's governmental activities increased \$2,207,473. The increase was mainly due to an increase of \$1,607,642 in cash and cash equivalents primarily related to an increase in sales tax. There was also a decrease in Human Services expenses of \$3,287,910 related to a reduction of services. Capital Assets, Net of Depreciation increased \$1,680,038 primarily due to the addition of various infrastructure assets in excess of current year depreciation.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

Total liabilities of the County's governmental activities decreased \$3,018,168. This was primarily because of a decrease in long-term debt due to the debt service payments on the general obligation bonds. There was a decrease in current and other liabilities of \$1,384,409 which mainly resulted from a decrease in accrued wages and benefits payable and due to other governments. The decreases in these liabilities were due to the payment of most wages before year-end.

There was an increase in invested in capital assets, net of related debt, for governmental activities of \$3,303,865 primarily due to the addition of various infrastructure assets and the retirement of debt related to capital assets. Total governmental activities net assets increased \$6,992,978 primarily due to an increase in cash and cash equivalents primarily as a result of an increase in sales tax revenue and a decrease in human services expenses.

The net assets of the County's business-type activity increased \$1,025,131. Charges for services increased \$414,372 primarily due to an increase in rates for services to customers. Expenses decreased \$325,585 primarily due to a decrease in repairs on sewer lines and at treatment facilities and due to an employee leaving whose position was not filled.

Table 2 shows the changes in net assets for the years ended December 31, 2010 and 2009.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$6,875,556	\$6,960,302	\$3,256,515	\$2,842,143	\$10,132,071	\$9,802,445
Operating Grants, Contributions, and Interest	24,627,273	27,325,630	0	0	24,627,273	27,325,630
Capital Grants and Contributions	2,763,540	3,754,833	305,442	513,707	3,068,982	4,268,540
<b>Total Program Revenues</b>	<b>34,266,369</b>	<b>38,040,765</b>	<b>3,561,957</b>	<b>3,355,850</b>	<b>37,828,326</b>	<b>41,396,615</b>
General Revenues:						
Property Taxes	5,890,900	5,763,560	0	0	5,890,900	5,763,560
Other Local Taxes	310,015	341,209	0	0	310,015	341,209
Sales Tax	10,054,762	9,172,776	0	0	10,054,762	9,172,776
Revenue in Lieu of Taxes	19,792	23,618	0	0	19,792	23,618
Grants and Entitlements not Restricted to Specific Programs	1,553,454	1,274,062	0	0	1,553,454	1,274,062
Unrestricted Interest						
Earnings	10,026	26,485	0	0	10,026	26,485
Miscellaneous	916,397	614,119	28,871	4,816	945,268	618,935
<b>Total General Revenues</b>	<b>18,755,346</b>	<b>17,215,829</b>	<b>28,871</b>	<b>4,816</b>	<b>18,784,217</b>	<b>17,220,645</b>
<b>Total Revenues</b>	<b>\$53,021,715</b>	<b>\$55,256,594</b>	<b>\$3,590,828</b>	<b>\$3,360,666</b>	<b>\$56,612,543</b>	<b>\$58,617,260</b>

(Continued)

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

Table 2  
Changes in Net Assets  
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2010	2009	2010	2009	2010	2009
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	\$7,433,426	\$8,427,219	\$0	\$0	\$7,433,426	\$8,427,219
Judicial	2,214,279	2,273,763	0	0	2,214,279	2,273,763
Public Safety:						
Sheriff	4,994,315	5,194,865	0	0	4,994,315	5,194,865
Other	2,078,675	3,057,424	0	0	2,078,675	3,057,424
Public Works	4,332,025	4,492,073	0	0	4,332,025	4,492,073
Health	9,409,293	9,546,632	0	0	9,409,293	9,546,632
Human Services	12,519,381	15,807,291	0	0	12,519,381	15,807,291
Conservation and Recreation	655,565	538,333	0	0	655,565	538,333
Economic Development and Assistance	712,439	626,824	0	0	712,439	626,824
Transportation	866,964	887,775	0	0	866,964	887,775
Interest and Fiscal Charges	812,375	798,288	0	0	812,375	798,288
Sewer	0	0	2,565,697	2,891,282	2,565,697	2,891,282
Total Expenses	<u>46,028,737</u>	<u>51,650,487</u>	<u>2,565,697</u>	<u>2,891,282</u>	<u>48,594,434</u>	<u>54,541,769</u>
Increase in Net Assets	6,992,978	3,606,107	1,025,131	469,384	8,018,109	4,075,491
Net Assets at Beginning of Year - Restated	<u>84,936,858</u>	<u>81,330,751</u>	<u>11,388,562</u>	<u>10,919,178</u>	<u>96,325,420</u>	<u>92,249,929</u>
Net Assets at End of Year	<u>\$91,929,836</u>	<u>\$84,936,858</u>	<u>\$12,413,693</u>	<u>\$11,388,562</u>	<u>\$104,343,529</u>	<u>\$96,325,420</u>

***Governmental Activities***

Operating grants, contributions, and interest restricted to specific programs is the largest source of revenue for Scioto County. The major recipients of operating grants and contributions were the Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Funds. There was a significant decrease in Operating Grants and Contributions due to a reduction of State monies for Public Assistance.

Sales tax collected by the County comprised \$10,054,762 of total governmental revenues for 2010, which was an increase of \$881,986 from 2009. Proceeds of the permissive sales tax are credited to the General Fund.

The County's direct charges to users of governmental services are \$6,875,556 of total governmental revenues for 2010. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, recording fees, sheriff contracts, transportation fees, fines and forfeitures related to judicial activity, housing fees for prisoners from other jurisdictions, and licenses and permits. These charges were essentially the same as in 2009.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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Human services (including public assistance and children services) programs accounted for \$12,519,381 of total expenses for governmental activities. Human services expenses decreased \$3,287,910 in 2010 due to a substantial reduction in services being offered, mostly by Public Assistance. Legislative and Executive expenses decreased \$993,793 compared to 2009. The primary reasons are several departments implemented furlough days throughout 2010, as vacant positions occurred, not all were filled, and the County closely monitored all expenses during the year in an effort to control costs. Health programs (including the Board of DD) made up \$9,409,293 of total expenses. Other major program expenses for governmental activities include public safety programs (mainly the sheriff and emergency management departments) which, in total, accounted for \$7,072,990 of total expenses. Total Public Safety expenses decreased \$1,179,299 primarily as a result of the closing of the Juvenile Detention Center during 2009. Public Safety expenses related to the Sheriff's department decreased \$200,550 due to improved budgeting and monitoring of expenses.

The County Commissioners have a quality of life commitment to the citizens and businesses located within the County. For example, the Commissioners continue to provide county-wide transportation through Access Scioto County, maintain infrastructure assets, such as roads and bridges, and maintain the jail to provide further safety for all citizens.

***Business-Type Activity***

The net assets for business-type activity increased \$1,025,131 during 2010. Charges for services were the largest revenue source.

**THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$52,675,199 and expenditures of \$49,619,440.

The General Fund balance increased \$1,848,218 in 2010. This increase is mostly related to an increase in sales tax revenue and an increase in charges for services from contracts for inmate housing.

The Public Assistance Fund balance increased \$791,311. While there was a significant decrease in funding from State programs, there was also a significant reduction in services.

The Motor Vehicle Gas Tax Fund balance increased \$208,179, which was insignificant.

The Board of Developmental Disabilities Fund balance decreased \$537,758 in 2010, which is the result of a significant decrease in State funding. There was also a significant transfer to the Board of Developmental Disabilities Capital Improvement Capital Projects Fund. The monies transferred to this Fund will be used to fund capital projects for the Board.

The Children Services Fund revenues exceeded expenditures by \$81,568, which was insignificant.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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The Sewer Fund reflects operating income of \$1,053,057 for 2010. Charges for services for sewer utilities have historically been established to ensure that, on a cash basis, fees are adequate to cover operations. The County Commissioners have set fees with the intention of funding operating costs and debt service. Charges for services increased \$414,372 primarily due to an increase in rates for services to customers. Operating expenses decreased \$311,775 primarily due to a decrease in repairs on sewer lines and at treatment facilities and due to an employee leaving whose position was not filled.

***General Fund Budgeting Highlights***

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. Before the budget is adopted, the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopt the budget at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

During 2010, the County amended its General Fund budget as needed. The most significant variance from original budget revenue amounts to the final budget revenue amounts was in sales taxes. This was the result of an increase in sales taxes earned from the previous year. The original budget had been based on estimated revenue in 2009.

The most significant variance from original budget expenditure amounts to the final budget expenditure amounts was in legislative and executive expenditures. This was due to several unanticipated expenditures that occurred during the year. The variance from final budget expenditure amounts to actual amounts was not significant.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The additions to depreciable assets of \$8,816,437, as well as \$375,110 in construction in progress, in the governmental activities were mostly the result of the County adding land improvements, building improvements, roads, bridges, equipment and vehicles during 2010.

The additions to depreciable assets of \$92,725, as well as \$1,108,886 in construction in progress, in the business-type activity were mostly the result of the replacement of a filter bed wall at the Purtee Acres Wastewater Treatment Plant, sewer line and tap installations, a used vehicle, and construction on the Minford Sewer Line Extension project. See Note 9 of the notes to the basic financial statements for more detailed capital assets information.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
Unaudited

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**Debt**

At December 31, 2010, Scioto County had \$12,687,105 in long-term debt outstanding in governmental activities which included several bond issues, loans and capital leases. There were no new bond issues or loans during 2009 for governmental activities but there were new capital leases for vehicles and copiers, and a recording system for the Common Pleas Court. The amount of long-term debt in the business-type activity was \$7,903,697 which consisted of bond issues, loans through the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA). During 2010, there were new loans issued through the OWDA. The County's long-term obligations also included compensated absences and for governmental and business-type activities.

At December 31, 2010, the County had short-term debt in the amount of \$587,000 in bond anticipation notes.

See Notes 14, 15 and 16 of the notes to the basic financial statements for more detailed information.

**CURRENT ISSUES**

The Auditor of State declared Scioto County to be in fiscal emergency on August 19, 2009. Since that time, the Local Government Services division of the Auditor of State has been assisting the County in its fiscal recovery efforts. In accordance with Chapter 118 of the Ohio Revised Code, a seven member Financial Supervision and Planning Commission was established to ensure that the County develops and operates within the constraints of a workable fiscal recovery plan. The County's initial fiscal recovery plan was approved by the Financial Supervision and Planning Commission in April of 2010. The plan calls for reducing the County's General Fund deficit by \$500,000 in 2011.

**CONTACTING THE COUNTY AUDITOR'S OFFICE**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David L. Green, County Auditor, Scioto County, 602 Seventh Street, Room 103, Portsmouth, Ohio 45662.

**SCIOTO COUNTY, OHIO**

Statement of Net Assets

December 31, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$12,445,696	\$764,144	\$13,209,840	\$211,148	\$90,426
Cash and Cash Equivalents in Segregated Accounts	101,961	478,256	580,217	0	0
Cash and Cash Equivalents with Escrow Agent	17,888	0	17,888	0	0
Cash and Cash Equivalents with Trustee	265,601	0	265,601	0	0
Materials and Supplies Inventory	386,479	0	386,479	190	0
Accounts Receivable	26,610	1,717,681	1,744,291	32,645	157
Prepaid Items	246,908	8,323	255,231	0	523
Sales Tax Receivable	2,617,318	0	2,617,318	0	0
Property Taxes Receivable	7,109,298	0	7,109,298	0	0
Revenue in Lieu of Taxes Receivable	19,662	0	19,662	0	0
Due from Other Governments	8,522,389	38,434	8,560,823	0	6,086
Loans Receivable	518,771	0	518,771	0	0
Deferred Charges	190,921	38,005	228,926	0	0
Investment in Joint Venture	227,591	0	227,591	0	0
Capital Assets:					
Land and Construction in Progress	1,866,742	1,766,230	3,632,972	0	369,108
Depreciable Capital Assets, Net	80,634,139	15,821,097	96,455,236	47,951	1,886,430
<b>Total Assets</b>	<b>115,197,974</b>	<b>20,632,170</b>	<b>135,830,144</b>	<b>291,934</b>	<b>2,352,730</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	457,533	37,801	495,334	1,526	5,927
Contracts Payable	69,747	51,245	120,992	0	5,523
Accrued Wages and Benefits Payable	131,870	0	131,870	10,302	0
Due to Other Governments	663,912	38,120	702,032	0	0
Accrued Interest Payable	51,065	111,956	163,021	0	0
Matured Compensated Absences Payable	78,369	0	78,369	0	0
Compensatory Time Payable	47,742	11,691	59,433	0	0
Retainage Payable	86,721	0	86,721	0	4,000
Deferred Revenue	6,452,412	0	6,452,412	0	0
Notes Payable	587,000	0	587,000	0	0
Long-Term Liabilities:					
Due Within One Year	2,497,810	383,845	2,881,655	0	0
Due in More Than One Year	12,143,957	7,583,819	19,727,776	0	0
<b>Total Liabilities</b>	<b>23,268,138</b>	<b>8,218,477</b>	<b>31,486,615</b>	<b>11,828</b>	<b>15,450</b>
<b><u>Net Assets:</u></b>					
Invested in Capital Assets, Net of Related Debt	72,071,585	9,670,390	81,741,975	47,951	2,255,538
Restricted for:					
Debt Service	390,012	0	390,012	0	0
Capital Projects	714,320	0	714,320	0	0
Public Safety	1,770,022	0	1,770,022	0	0
Human Services	3,740,631	0	3,740,631	0	0
Public Works	4,232,120	0	4,232,120	0	0
Health	6,339,894	0	6,339,894	0	0
Community and Economic Development	1,833,059	0	1,833,059	0	0
Transportation	117,084	0	117,084	0	0
Judicial	898,364	0	898,364	0	0
Other Purposes	842,308	0	842,308	0	0
Unrestricted (Deficit)	(1,019,563)	2,743,303	1,723,740	232,155	81,742
<b>Total Net Assets</b>	<b>\$91,929,836</b>	<b>\$12,413,693</b>	<b>\$104,343,529</b>	<b>\$280,106</b>	<b>\$2,337,280</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b><u>Governmental Activities:</u></b>				
General Government:				
Legislative and Executive	\$7,433,426	\$1,981,104	\$80,069	\$0
Judicial	2,214,279	1,182,410	296,555	0
Public Safety:				
Sheriff	4,994,315	2,445,510	274,011	0
Other	2,078,675	373,108	921,350	0
Public Works	4,332,025	137,348	4,681,608	2,676,241
Health	9,409,293	129,280	5,028,612	0
Human Services	12,519,381	188,237	11,674,408	0
Conservation and Recreation	655,565	6,630	100,907	87,299
Economic Development and Assistance	712,439	130,611	990,000	0
Transportation	866,964	301,318	579,753	0
Interest and Fiscal Charges	812,375	0	0	0
<i>Total Governmental Activities</i>	46,028,737	6,875,556	24,627,273	2,763,540
<b><u>Business-Type Activity:</u></b>				
Sewer	2,565,697	3,256,515	0	305,442
<i>Total Primary Government</i>	\$48,594,434	\$10,132,071	\$24,627,273	\$3,068,982
<b><u>Component Units:</u></b>				
STAR, Inc.	\$592,052	\$461,035	\$163,550	\$0
Scioto County Airport Authority	140,542	92,982	6,086	90,062
<i>Total Component Unit Activities</i>	\$732,594	\$554,017	\$169,636	\$90,062

**General Revenues:**

Property Taxes Levied for:  
 General Purposes  
 Board of Developmental Disabilities  
 Children Services  
 Other Purposes  
 Other Local Taxes  
 Sales Tax  
 Revenue in Lieu of Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Interest  
 Miscellaneous

*Total General Revenues*

Change in Net Assets

*Net Assets at Beginning of Year - (Restated - See Notes 25 and 26)*

*Net Assets at End of Year*

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority
(\$5,372,253)	\$0	(\$5,372,253)	\$0	\$0
(735,314)	0	(735,314)	0	0
(2,274,794)	0	(2,274,794)	0	0
(784,217)	0	(784,217)	0	0
3,163,172	0	3,163,172	0	0
(4,251,401)	0	(4,251,401)	0	0
(656,736)	0	(656,736)	0	0
(460,729)	0	(460,729)	0	0
408,172	0	408,172	0	0
14,107	0	14,107	0	0
(812,375)	0	(812,375)	0	0
(11,762,368)	0	(11,762,368)	0	0
0	996,260	996,260	0	0
(11,762,368)	996,260	(10,766,108)	0	0
0	0	0	32,533	0
0	0	0	0	48,588
0	0	0	32,533	48,588
1,626,886	0	1,626,886	0	0
3,447,796	0	3,447,796	0	0
727,221	0	727,221	0	0
88,997	0	88,997	0	0
310,015	0	310,015	0	0
10,054,762	0	10,054,762	0	0
19,792	0	19,792	0	0
1,553,454	0	1,553,454	0	0
10,026	0	10,026	19	0
916,397	28,871	945,268	1,923	14
18,755,346	28,871	18,784,217	1,942	14
6,992,978	1,025,131	8,018,109	34,475	48,602
84,936,858	11,388,562	96,325,420	245,631	2,288,678
<u>\$91,929,836</u>	<u>\$12,413,693</u>	<u>\$104,343,529</u>	<u>\$280,106</u>	<u>\$2,337,280</u>

**SCIOTO COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2010

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$932,861	\$1,730,459
Cash and Cash Equivalents in			
Segregated Accounts	16,314	3,805	213
Cash and Cash Equivalents with Trustee	0	0	0
Receivables:			
Sales Tax	2,617,318	0	0
Property Taxes	2,013,615	0	0
Accounts	6,574	111	927
Interfund	25,119	89,591	204,600
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	923,963	625,525	2,312,545
Prepaid Items	89,074	121,681	16,318
Materials and Supplies Inventory	7,389	18,924	359,087
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
Equity in Pooled Cash and Cash Equivalents	268,021	0	0
<i>Total Assets</i>	<u>\$5,967,387</u>	<u>\$1,792,498</u>	<u>\$4,624,149</u>
 <b><u>Liabilities and Fund Balances:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$161,428	\$28,689	\$47,419
Contracts Payable	0	0	44,500
Accrued Wages and Benefits Payable	20,314	31,625	52,250
Due to Other Governments	205,762	115,675	53,473
Interfund Payable	1,352,021	95,501	0
Retainage Payable	0	0	0
Retainage Payable from Restricted Assets	0	0	0
Accrued Interest Payable	2,715	0	0
Matured Compensated Absences Payable	12,263	47,330	0
Deferred Revenue	3,577,866	3,180	1,594,471
Notes Payable	187,000	0	0
<i>Total Liabilities</i>	<u>5,519,369</u>	<u>322,000</u>	<u>1,792,113</u>
 <b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	326,711	89,261	137,101
Reserved for Unclaimed Monies	268,021	0	0
Reserved for Loans Receivable	0	0	0
Unreserved, (Deficit) Undesignated Reported in:			
General Fund	(146,714)	0	0
Special Revenue Funds	0	1,381,237	2,694,935
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>448,018</u>	<u>1,470,498</u>	<u>2,832,036</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,967,387</u>	<u>\$1,792,498</u>	<u>\$4,624,149</u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$2,584,234	\$1,096,287	\$5,833,834	\$12,177,675
0	0	81,629	101,961
0	0	265,601	265,601
0	0	0	2,617,318
4,118,509	872,691	104,483	7,109,298
906	0	18,092	26,610
1,677,916	0	546,344	2,543,570
14,348	3,614	1,700	19,662
1,824,948	513,638	2,321,770	8,522,389
11,819	4,017	3,999	246,908
0	0	1,079	386,479
0	0	518,771	518,771
0	0	17,888	17,888
0	0	0	268,021
<u>\$10,232,680</u>	<u>\$2,490,247</u>	<u>\$9,715,190</u>	<u>\$34,822,151</u>
\$43,527	\$62,429	\$114,041	\$457,533
0	0	25,247	69,747
0	18,118	9,563	131,870
133,455	37,277	118,270	663,912
0	0	1,096,048	2,543,570
0	0	68,833	68,833
0	0	17,888	17,888
0	0	5,518	8,233
0	0	18,776	78,369
5,228,719	1,166,487	2,006,380	13,577,103
0	0	400,000	587,000
<u>5,405,701</u>	<u>1,284,311</u>	<u>3,880,564</u>	<u>18,204,058</u>
40,741	38,525	137,541	769,880
0	0	0	268,021
0	0	490,651	490,651
0	0	0	(146,714)
4,786,238	1,167,411	4,056,534	14,086,355
0	0	436,463	436,463
0	0	713,437	713,437
<u>4,826,979</u>	<u>1,205,936</u>	<u>5,834,626</u>	<u>16,618,093</u>
<u>\$10,232,680</u>	<u>\$2,490,247</u>	<u>\$9,715,190</u>	<u>\$34,822,151</u>

**SCIOTO COUNTY, OHIO**  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2010

<b>Total Governmental Fund Balances</b>	<b>\$16,618,093</b>
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	1,866,742
Depreciable capital assets	122,780,591
Accumulated depreciation	<u>(42,146,452)</u>
Total capital assets	82,500,881
 The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities.	
	227,591
 Some of the County's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
Delinquent property taxes	1,131,779
Sales tax	989,409
Revenue in lieu of taxes	19,662
Intergovernmental	4,911,592
Charges for Services	<u>72,249</u>
Total revenues	7,124,691
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.	
	190,921
 In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(42,832)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds payable	(10,277,635)
Loans payable	(23,106)
Capital leases payable	(2,386,364)
Compensated absences	(1,946,591)
Accrued compensatory time payable	(47,742)
Workers' Compensation Claims Payable	<u>(8,071)</u>
Total liabilities	<u>(14,689,509)</u>
 <b>Net Assets of Governmental Activities</b>	 <b><u><u>\$91,929,836</u></u></b>

See Accompanying Notes to the Basic Financial Statements

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**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Revenues:</u></b>			
Property Taxes	\$1,565,920	\$0	\$0
Other Local Taxes	310,015	0	0
Sales Tax	10,048,183	0	0
Revenue in Lieu of Taxes	159	0	0
Charges for Services	2,148,395	0	119,028
Licenses and Permits	4,097	0	0
Fines and Forfeitures	133,530	0	17,420
Intergovernmental	1,853,866	8,623,479	4,471,148
Interest	9,178	0	677
Rent	2,171	0	900
Contributions and Donations	0	0	151
Miscellaneous	110,954	283,239	106,902
<b>Total Revenues</b>	<b>16,186,468</b>	<b>8,906,718</b>	<b>4,716,226</b>
<b><u>Expenditures:</u></b>			
Current:			
General Government:			
Legislative and Executive	6,266,918	0	0
Judicial	1,689,164	0	0
Public Safety:			
Sheriff	2,971,929	0	0
Other	504,551	0	0
Public Works	0	0	4,432,360
Health	348,927	0	0
Human Services	410,804	8,340,773	0
Conservation and Recreation	236,138	0	0
Economic Development and Assistance	96,133	0	0
Transportation	0	0	0
Capital Outlay	21,624	0	59,300
Debt Service:			
Principal Retirement	329,403	41,245	1,151
Interest and Fiscal Charges	56,587	14,303	236
<b>Total Expenditures</b>	<b>12,932,178</b>	<b>8,396,321</b>	<b>4,493,047</b>
Excess of Revenues Over (Under) Expenditures	3,254,290	510,397	223,179
<b><u>Other Financing Sources (Uses):</u></b>			
Inception of Capital Lease	83,374	0	0
Transfers In	0	280,914	0
Transfers Out	(1,489,446)	0	(15,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,406,072)</b>	<b>280,914</b>	<b>(15,000)</b>
<b>Net Change in Fund Balances</b>	<b>1,848,218</b>	<b>791,311</b>	<b>208,179</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>(1,400,200)</b>	<b>679,187</b>	<b>2,623,857</b>
<b>Fund Balances at End of Year</b>	<b>\$448,018</b>	<b>\$1,470,498</b>	<b>\$2,832,036</b>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,347,743	\$705,944	\$86,679	\$5,706,286
0	0	0	310,015
0	0	0	10,048,183
14,393	3,576	1,771	19,899
68,783	0	4,039,447	6,375,653
0	0	66,778	70,875
0	0	311,225	462,175
4,754,060	1,977,064	7,004,744	28,684,361
61	0	110	10,026
0	0	0	3,071
544	8,185	0	8,880
316,721	2,328	155,631	975,775
8,502,305	2,697,097	11,666,385	52,675,199
0	0	813,827	7,080,745
0	0	464,375	2,153,539
0	0	1,582,023	4,553,952
0	0	1,273,448	1,777,999
0	0	50,996	4,483,356
8,370,443	0	469,053	9,188,423
0	2,558,222	1,022,213	12,332,012
0	0	179,841	415,979
0	0	621,145	717,278
0	0	781,773	781,773
0	0	3,234,187	3,315,111
144,062	40,509	1,474,217	2,030,587
62,015	16,798	638,747	788,686
8,576,520	2,615,529	12,605,845	49,619,440
(74,215)	81,568	(939,460)	3,055,759
241,401	0	0	324,775
0	0	1,997,183	2,278,097
(704,944)	0	(68,707)	(2,278,097)
(463,543)	0	1,928,476	324,775
(537,758)	81,568	989,016	3,380,534
5,364,737	1,124,368	4,845,610	13,237,559
\$4,826,979	\$1,205,936	\$5,834,626	\$16,618,093

**SCIOTO COUNTY, OHIO**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2010

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$3,380,534</b>
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	5,160,763	
Depreciation expense	<u>(3,386,070)</u>	
Excess of capital outlay over depreciation expense		1,774,693
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.		
Loss on disposal of capital assets		(94,655)
Because some revenues will not be collected for several months after the County's year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	184,614	
Sales tax	6,579	
Revenue in lieu of taxes	(107)	
Intergovernmental	163,727	
Charges for Services	(36,218)	
Miscellaneous	<u>(59,378)</u>	
Total revenues		259,217
The increase in the County's investment interest of its joint venture is not reported in the governmental fund statements but is included in program revenues in the Statement of Activities.		
		87,299
Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.		
		(324,775)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Loan principal payments	12,038	
Bond principal payments	895,000	
Bond anticipation notes refunded	587,000	
Capital lease payments	<u>536,549</u>	
Total long-term debt repayments		2,030,587
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences payable	(40,420)	
Increase in accrued compensatory time payable	(47,742)	
Increase in Workers' Compensation Claims Payable	<u>(8,071)</u>	
		(96,233)
Amortization of bond issuance costs, bond premiums, the deferred loss on the refunding of debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.		
Decrease in accrued interest	14,625	
Amortization of premium on general obligation bonds	205	
Amortization of bond issuance costs	(14,752)	
Amortization of loss on refunding	<u>(23,767)</u>	
		<u>(23,689)</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u>\$6,992,978</u></b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,670,000	\$1,567,200	\$1,567,423	\$223
Other Local Taxes	300,000	300,000	310,015	10,015
Sales Tax	8,750,000	9,875,000	10,040,789	165,789
Revenue in Lieu of Taxes	2,000	150	159	9
Charges for Services	2,101,500	2,180,400	2,214,409	34,009
Licenses and Permits	4,000	4,000	4,097	97
Fines and Forfeitures	135,000	132,000	135,961	3,961
Intergovernmental	1,877,500	1,769,758	1,826,639	56,881
Interest	20,000	10,000	9,870	(130)
Rent	2,500	2,500	2,171	(329)
Miscellaneous	236,300	112,557	110,655	(1,902)
<b>Total Revenues</b>	<b>15,098,800</b>	<b>15,953,565</b>	<b>16,222,188</b>	<b>268,623</b>
<b><u>Expenditures:</u></b>				
Current:				
General Government:				
Legislative and Executive	5,911,747	7,209,567	7,078,618	130,949
Judicial	1,704,218	1,854,978	1,821,171	33,807
Public Safety:				
Sheriff	3,193,700	3,233,700	3,224,428	9,272
Other	495,194	564,914	561,366	3,548
Health	353,535	355,192	355,193	(1)
Human Services	453,191	453,191	437,350	15,841
Conservation and Recreation	179,349	171,362	169,438	1,924
Economic Development and Assistance	92,249	92,994	90,069	2,925
Capital Outlay	45,000	7,987	7,987	0
Debt Service:				
Principal Retirement	45,000	80,000	80,000	0
Interest and Fiscal Charges	13,800	18,444	18,364	80
<b>Total Expenditures</b>	<b>12,486,983</b>	<b>14,042,329</b>	<b>13,843,984</b>	<b>198,345</b>
Excess of Revenues Over Expenditures	2,611,817	1,911,236	2,378,204	466,968
<b><u>Other Financing Sources (Uses):</u></b>				
Advances Out	0	0	(25,000)	(25,000)
Transfers In	0	40,015	0	(40,015)
Transfers Out	(2,380,979)	(1,720,171)	(1,569,932)	150,239
<b>Total Other Financing Sources (Uses)</b>	<b>(2,380,979)</b>	<b>(1,680,156)</b>	<b>(1,594,932)</b>	<b>85,224</b>
<b>Net Change in Fund Balance</b>	<b>230,838</b>	<b>231,080</b>	<b>783,272</b>	<b>552,192</b>
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>(2,094,727)</b>	<b>(2,094,727)</b>	<b>(2,094,727)</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>269,904</b>	<b>269,904</b>	<b>269,904</b>	<b>0</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>(\$1,593,985)</b>	<b>(\$1,593,743)</b>	<b>(\$1,041,551)</b>	<b>\$552,192</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Public Assistance Special Revenue Fund  
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Intergovernmental	\$15,596,021	\$8,496,400	\$8,496,400	\$0
Miscellaneous	282,000	282,000	283,119	1,119
<i>Total Revenues</i>	15,878,021	8,778,400	8,779,519	1,119
<b><u>Expenditures:</u></b>				
Current:				
Human Services	16,661,247	9,725,979	8,934,316	791,663
Excess of Revenues Over (Under) Expenditures	(783,226)	(947,579)	(154,797)	792,782
<b><u>Other Financing Sources:</u></b>				
Transfers In	351,979	282,033	280,914	(1,119)
<i>Net Change in Fund Balance</i>	(431,247)	(665,546)	126,117	791,663
<i>Fund Balance at Beginning of Year</i>	219,269	219,269	219,269	0
<i>Prior Year Encumbrances Appropriated</i>	446,268	446,268	446,268	0
<i>Fund Balance at End of Year</i>	<u>\$234,290</u>	<u>(\$9)</u>	<u>\$791,654</u>	<u>\$791,663</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Motor Vehicle Gas Tax Special Revenue Fund  
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Charges for Services	\$9,000	\$56,570	\$119,985	\$63,415
Fines and Forfeitures	20,000	20,000	17,792	(2,208)
Intergovernmental	4,748,815	4,736,632	4,561,905	(174,727)
Interest	2,400	2,400	846	(1,554)
Rent	1,000	0	900	900
Contributions and Donations	0	0	151	151
Miscellaneous	50,000	0	117,542	117,542
<i>Total Revenues</i>	<u>4,831,215</u>	<u>4,815,602</u>	<u>4,819,121</u>	<u>3,519</u>
<b><u>Expenditures:</u></b>				
Current:				
Public Works	6,090,040	6,013,740	4,766,601	1,247,139
Capital Outlay	0	59,300	59,300	0
<i>Total Expenditures</i>	<u>6,090,040</u>	<u>6,073,040</u>	<u>4,825,901</u>	<u>1,247,139</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,258,825)</u>	<u>(1,257,438)</u>	<u>(6,780)</u>	<u>1,250,658</u>
<b><u>Other Financing Uses:</u></b>				
Advances Out	0	0	(50,000)	(50,000)
Transfers Out	0	(15,000)	(15,000)	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(15,000)</u>	<u>(65,000)</u>	<u>(50,000)</u>
<i>Net Change in Fund Balance</i>	(1,258,825)	(1,272,438)	(71,780)	1,200,658
<i>Fund Balance at Beginning of Year</i>	1,458,437	1,458,437	1,458,437	0
<i>Prior Year Encumbrances Appropriated</i>	<u>114,824</u>	<u>114,824</u>	<u>114,824</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$314,436</u>	<u>\$300,823</u>	<u>\$1,501,481</u>	<u>\$1,200,658</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Board of Developmental Disabilities Special Revenue Fund  
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,785,000	\$3,771,000	\$3,353,820	(\$417,180)
Revenue in Lieu of Taxes	2,300	16,300	14,393	(1,907)
Charges for Services	2,000	21,516	71,827	50,311
Intergovernmental	4,206,026	3,652,005	4,594,615	942,610
Interest	200	200	61	(139)
Rent	10,000	0	0	0
Contributions and Donations	19,516	544	544	0
Miscellaneous	75,624	57,962	317,373	259,411
<i>Total Revenues</i>	<u>8,100,666</u>	<u>7,519,527</u>	<u>8,352,633</u>	<u>833,106</u>
<b><u>Expenditures:</u></b>				
Current:				
Health	8,662,968	9,417,008	8,623,636	793,372
Debt Service:				
Principal Retirement	0	7,806	7,806	0
Interest and Fiscal Charges	0	738	738	0
<i>Total Expenditures</i>	<u>8,662,968</u>	<u>9,425,552</u>	<u>8,632,180</u>	<u>793,372</u>
Excess of Revenues Over (Under) Expenditures	<u>(562,302)</u>	<u>(1,906,025)</u>	<u>(279,547)</u>	<u>1,626,478</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	0	0	63,000	63,000
Advances Out	0	0	(76,000)	(76,000)
Transfers Out	0	(899,176)	(704,944)	194,232
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(899,176)</u>	<u>(717,944)</u>	<u>181,232</u>
<i>Net Change in Fund Balance</i>	(562,302)	(2,805,201)	(997,491)	1,807,710
<i>Fund Balance at Beginning of Year</i>	4,832,710	4,832,710	4,832,710	0
<i>Prior Year Encumbrances Appropriated</i>	193,376	193,376	193,376	0
<i>Fund Balance at End of Year</i>	<u>\$4,463,784</u>	<u>\$2,220,885</u>	<u>\$4,028,595</u>	<u>\$1,807,710</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Children Services Special Revenue Fund  
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$672,625	\$669,125	\$707,241	\$38,116
Revenue in Lieu of Taxes	500	4,000	3,576	(424)
Intergovernmental	704,000	1,904,000	1,936,447	32,447
Contributions and Donations	8,500	8,500	8,185	(315)
Miscellaneous	1,200,000	0	2,315	2,315
<i>Total Revenues</i>	2,585,625	2,585,625	2,657,764	72,139
<b><u>Expenditures:</u></b>				
Current:				
Human Services	3,332,636	3,332,636	2,748,589	584,047
<i>Net Change in Fund Balance</i>	(747,011)	(747,011)	(90,825)	656,186
<i>Fund Balance at Beginning of Year</i>	1,045,143	1,045,143	1,045,143	0
<i>Prior Year Encumbrances Appropriated</i>	51,850	51,850	51,850	0
<i>Fund Balance at End of Year</i>	<u>\$349,982</u>	<u>\$349,982</u>	<u>\$1,006,168</u>	<u>\$656,186</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fund Net Assets  
Enterprise Fund  
December 31, 2010

	<i>Sewer Fund</i>
<b><u>Assets:</u></b>	
<b><u>Current Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$764,144
Cash and Cash Equivalents in Segregated Accounts	478,256
Accounts Receivable	1,717,681
Due from Other Governments	38,434
Prepaid Items	8,323
	3,006,838
<i>Total Current Assets</i>	<i>3,006,838</i>
<b><u>Non-Current Assets:</u></b>	
Deferred Charges	38,005
Capital Assets:	
Land	18,480
Construction in Progress	1,747,750
Depreciable Capital Assets, Net	15,821,097
	17,625,332
<i>Total Non-Current Assets</i>	<i>17,625,332</i>
<i>Total Assets</i>	<i>20,632,170</i>
<b><u>Liabilities:</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable	37,801
Contracts Payable	51,245
Due to Other Governments	38,120
Accrued Interest Payable	111,956
General Obligation Bonds Payable	197,856
Farmer's Home Administration Bonds Payable	60,708
Ohio Public Works Commission Loans Payable	70,229
Ohio Water Development Authority Loans Payable	20,240
Compensatory Time Payable	11,691
Compensated Absences Payable	34,812
	634,658
<i>Total Current Liabilities</i>	<i>634,658</i>
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>	
General Obligation Bonds Payable	3,187,511
Farmer's Home Administration Bonds Payable	2,827,057
Ohio Public Works Commission Loans Payable	690,382
Ohio Water Development Authority	849,714
Compensated Absences Payable	29,155
	7,583,819
<i>Total Long-Term Liabilities</i>	<i>7,583,819</i>
<i>Total Liabilities</i>	<i>8,218,477</i>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	9,670,390
Unrestricted	2,743,303
	\$12,413,693
<i>Total Net Assets</i>	<i>\$12,413,693</i>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Enterprise Fund  
For the Year Ended December 31, 2010

	<i>Sewer Fund</i>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$3,256,515
<b><u>Operating Expenses:</u></b>	
Personal Services	621,048
Fringe Benefits	413,366
Contractual Services	688,676
Materials and Supplies	79,557
Depreciation	397,824
Other	2,987
<i>Total Operating Expenses</i>	2,203,458
Operating Income	1,053,057
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest and Fiscal Charges	(357,925)
Other Non-Operating Revenues	28,871
Other Non-Operating Expenses	(4,314)
<i>Total Non-Operating Revenues (Expenses)</i>	(333,368)
Income Before Capital Grants	719,689
Capital Grants	305,442
<i>Net Income</i>	1,025,131
<i>Net Assets At Beginning of Year</i>	11,388,562
<i>Net Assets At End of Year</i>	\$12,413,693

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Cash Flows  
Enterprise Fund  
For the Year Ended December 31, 2010

	<i>Sewer Fund</i>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Charges for Services	\$3,090,290
Cash Payments to Suppliers for Goods and Services	(766,465)
Cash Payments to Employees for Services	(661,069)
Cash Payments for Employee Benefits	(408,047)
Cash Payments for Other Operating Expenses	(2,987)
	<u>1,251,722</u>
<b><u>Net Cash Provided by Operating Activities</u></b>	
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Proceeds of Loans	674,409
Capital Grants Received	521,210
Aquisition of Capital Assets	(1,331,854)
Principal Paid on Bonds and Loans	(328,037)
Interest Paid on Bonds and Loans	(339,806)
Other Non-Operating Revenues	32,040
Other Non-Operating Expenses	(4,314)
	<u>(776,352)</u>
<b><u>Net Cash Used for Capital and Related Financing Activities</u></b>	
	475,370
<b><u>Net Increase in Cash and Cash Equivalents</u></b>	
	767,030
<b><u>Cash and Cash Equivalents at Beginning of Year</u></b>	
	<u>\$1,242,400</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>	
	<u>\$1,242,400</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating Income	<u>\$1,053,057</u>
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u></b>	
Depreciation	397,824
Increase in Accounts Receivable	(166,225)
Increase in Prepaid Items	(363)
Decrease in Materials and Supplies Inventory	5,304
Increase in Accounts Payable	1,219
Decrease in Compensated Absences Payable	(5,230)
Decrease in Due to Other Governments	(12,858)
Decrease in Accrued Wages Payable	(21,006)
	<u>198,665</u>
<b>Total Adjustments</b>	<u>198,665</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$1,251,722</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2010

**Assets:**

Equity in Pooled Cash and Cash Equivalents	\$2,235,628
Cash and Cash Equivalents in Segregated Accounts	841,577
Receivables:	
Property Taxes	42,004,293
Accounts	1,031,280
Revenue in Lieu of Taxes	161,030
Due from Other Governments	<u>2,949,301</u>
 <i>Total Assets</i>	 <u><u>\$49,223,109</u></u>

**Liabilities:**

**Current Liabilities:**

Due to Other Governments	\$46,160,904
Undistributed Monies	<u>3,062,205</u>
 <i>Total Liabilities</i>	 <u><u>\$49,223,109</u></u>

See Accompanying Notes to the Basic Financial Statements

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**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY**

Scioto County, Ohio (the County), is governed by a board of three 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, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal Court Judge.

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

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For the County, this includes the Children Services Board, the Board of Developmental Disabilities, and all departments and activities that are directly operated by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or the levying of its taxes. The County has two component units included in its reporting entity.

**DISCRETELY PRESENTED COMPONENT UNITS**

The component unit columns in the entity-wide financial statements identify the financial data of the County's discretely presented component units, STAR, Inc. and the Scioto County Airport Authority. They are reported separately to emphasize that they are legally separate from the County.

**STAR, Inc.**

STAR, Inc. is a non-profit organization which operates as a workshop under contractual agreement with the Scioto County Board of Developmental Disabilities that provides sheltered employment for mentally and/or physically handicapped adults in Scioto County.

**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

The Board of Developmental Disabilities provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Scioto County, the workshop is presented as a component unit of Scioto County. STAR, Inc. operates on a calendar year ending December 31. Separately issued financial statements can be obtained from STAR, Inc., located at 2625 Gallia Street, Portsmouth, Ohio 45662.

*Scioto County Airport Authority*

The Scioto County Airport Authority operates under a separate board that consists of five members appointed by the County Commissioners. The airport authority generates revenue from sales of fuel and the leasing of equipment and rental space. Grants are applied for in the airport authority's name. The County provides payroll, fringe benefits and some utilities. The County is directly responsible for the Airport Facilities Bond and the Airport Hanger Bond Anticipation Note. Financial statements are issued as part of the Scioto County report and are not obtainable separately.

The information presented in Notes 2 through 25 relates to the primary government. Information related to the discretely presented component units is presented in Note 26.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following districts and agencies are presented as agency funds within the County's financial statements.

*Scioto County Board of Health*  
*Soil and Water Conservation District*  
*STAR Community Justice Center*

The County is associated with certain organizations which are defined as Jointly Governed Organizations, a Joint Venture, a Risk Sharing Pool, and a Related Organization. These organizations are presented in Notes 18, 19, and 20 to the Basic Financial Statements. These organizations are:

*Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services Board*  
*Ohio Valley Resource Conservation and Development Area, Inc.*  
*Workforce Investment Board*  
*Ohio Valley Regional Development Commission*  
*Scioto County Community Action Organization*  
*Southern Ohio Development Initiative*  
*Portsmouth Metropolitan Housing Authority*  
*Southern Ohio Council of Governments*  
*Joint Solid Waste District*

**NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)**

*County Risk Sharing Authority, Inc. (CORSA)*  
*Southern Ohio Port Authority*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The County does not apply FASB Pronouncements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise fund. The more significant of the County's accounting policies are described below.

**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 and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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 interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS**

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

**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. There are three categories of funds utilized by the County: governmental, proprietary and fiduciary.

**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

*General* – This 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.

*Public Assistance* – This fund accounts for various federal and State resources which are used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

*Motor Vehicle Gas Tax* – This fund accounts for revenues derived from motor vehicle licenses and gasoline taxes. Ohio State law restricts these monies to be used for County road and bridge repairs and improvement programs. This fund also accounts for the financial activities of the Scioto County Engineering Department.

*Board of Developmental Disabilities* – This fund accounts for the operation of a school and provides assistance to a workshop for the developmentally disabled. A County-wide property tax levy, along with federal and State grants, provides the revenues for this fund.

*Children Services* – This fund accounts for monies received from federal and State grants, the Social Security Administration, and various other resources. The fund makes expenditures to support foster homes, medical treatment, school supplies, counseling, and parental assistance.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**PROPRIETARY FUNDS**

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The County's proprietary fund is an enterprise fund.

*Enterprise Fund* – An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's only enterprise fund:

*Sewer Fund* – This fund is used to account for the provision of sanitary sewer services to the residents and businesses of the County.

**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. The three types of trust funds should be used to report resources held and administered by the County when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds. The County's agency funds are primarily established to account for the collection and distribution to other governments of various taxes, receipts and fees and to account for funds of various agencies for which the County serves as fiscal agent.

**MEASUREMENT FOCUS**

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities, except for those of fiduciary funds, associated with the operation of the County are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. The governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

**BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; enterprise and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes and revenue in lieu of taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), federal and State subsidies and grants, accounts (i.e., charges for services and licenses and permits), and rent.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED REVENUE**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of December 31, 2010, but were levied to finance 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**EXPENSES/EXPENDITURES**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**BUDGETS AND BUDGETARY ACCOUNTING**

All funds, other than 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 Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the object level within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners. The County reports unbudgeted activity on the financial statements due to the County's unclaimed monies fund being classified as an agency fund on the County's books, but which is included with the General Fund for GAAP reporting purposes.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. 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 final budgeted amounts represent estimates from the amended certificate passed by the County Commissioners at year-end.

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 appropriations 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, including all supplemental appropriations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

Cash balances of the County's funds, except cash held by a trustee, an escrow agent and cash in segregated accounts, are pooled in order to provide improved cash management. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the financial statements as "Cash and Cash Equivalents in Segregated Accounts." The County utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances held in these accounts are presented as "Cash and Cash Equivalents with Trustee."

The County has escrow accounts to hold retainage amounts still owed to contractors until payments are made. The monies held in these accounts are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent" on the financial statements. Also "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the balance sheet represents unclaimed monies held by the County to be reclaimed by its rightful owners.

During the year, the County's investments were limited to STAROhio.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2010. 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, 2010.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2010 amounted to \$9,178, all of which was assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

**MATERIALS AND SUPPLIES INVENTORY**

Materials and supplies inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Materials and supplies inventory consists of expendable supplies held for consumption.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**INTERFUND RECEIVABLES/PAYABLES**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivable” and “Interfund Payable.” Interfund balances are eliminated on the government-wide Statement of Net Assets.

**CAPITAL ASSETS**

General capital assets are capital assets that are associated with and generally arise from governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column of the government-wide Statement of Net Assets and in the fund.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed.

All reported capital assets, except land, roadway subsurface and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County’s historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Building Improvements	7-50 years
Furniture, Fixtures, and Equipment	5-30 years
Vehicles	8 years
Infrastructure	5-65 years

The County’s governmental infrastructure system consists of roads and bridges which includes box culverts and concrete pipes. The business-type infrastructure system is the sewer system, consisting of sewer lines, pump stations, and relay stations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. A liability is accrued for all full-time employees based on their sick leave balance at year-end.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees are paid. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans, bonds, notes, and capital leases that will be paid from governmental funds are recognized as liabilities on the fund financial statements when due.

**RESERVATION OF FUND BALANCE**

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balances are reserved for encumbrances, unclaimed monies, and loans receivable. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. The reserve for loans receivable is the portion of the Revolving Loan Fund that is not expected to be repaid in 2010.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**RESTRICTED ASSETS**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. 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. Restricted assets represent unclaimed monies held to be reclaimed by its rightful owners, monies held in escrow accounts that are still owed to contractors for work completed relating to the jail construction project and an energy savings renovation project related to the Department of Job & Family Services, and cash and investments related to capital lease-purchase agreements for energy savings renovation projects.

**BOND PREMIUMS AND ISSUANCE COSTS/LOSS**

Premiums and issuance costs for government-wide statements and enterprise fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase to the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**INTERNAL ACTIVITY**

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments. Restricted net assets include funds for County road and bridge repairs, residential homes and educational opportunities for the mentally retarded and developmentally disabled, the support and placement of children, improving the living environment of the County, and the operation of public safety and transportation programs. Net assets restricted for other purposes consist mainly of expenditures for legislative and executive purposes.

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

**INVESTMENT IN JOINT VENTURE**

The County's Investment in Joint Venture relates to the County's equity interest in the Joint Solid Waste District (see Note 18). The County's share in year-end net assets is included on the Statement of Net Assets as an Investment in Joint Venture.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for sewer utility charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**ACCOUNTABILITY**

The Juvenile Detention Center Special Revenue Fund and the General Purpose Bond Debt Service Fund had deficit fund balances of \$827,702 and \$269, respectively, at December 31, 2010. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

**COMPLIANCE**

The General Fund had original and final appropriations in excess of original and final estimated revenues and available fund balances of \$1,593,985 and \$1,593,743, respectively; for the year ended December 31, 2010.

Ohio Rev. Code Section 133.22 (A)(2) requires that a bond issuance have one purpose and not be used for general operating expenses. The County issued a Bond Anticipation Note in the amount of \$400,000 which was received and deposited into the General Fund to pay general operating expenses.

The County Auditor will monitor budgetary controls more closely in the future to alleviate such compliance issues.

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. The Scioto County Commissioners entered into a twenty year lease/purchase agreement for an Energy Conservation Project on the Scioto County Courthouse and the Job and Family Services building on March 14, 2006. The percentage breakdown of the project was determined to be 64.53% for the Scioto County Courthouse and 35.47% for the Job and Family Services building. Based on these percentages, the semi-annual lease payments of \$78,303 were to be paid \$50,529 from the General Fund and \$27,774 from the Public Assistance Fund. Actual payments were made from incorrect funds.

Ohio Rev. Code Section 5705.36(A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. At December 31, 2010, the County had actual resources in the General Fund below the current level of appropriation in the amount of \$1,610,635.

Ohio Rev. Code Section 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated revenue available there from, as certified by the Budget Commission. Appropriations exceeded estimated resources in the General Fund by \$1,862,493.

**FEDERAL COMPLIANCE**

2 C.F.R. Part 225 App B. Section 37.c indicates rental costs under “less than arm’s length” leases are allowable only up to the amount that would be allowable had title to the property vested in the County. Additionally, Ohio Admin. Code Section 5101:9-4-11(A) indicates the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OBM) Circular A-87, attachment B and Code of Federal Regulations 2 C.F.R. Part 225.

\$219,287 in excess cost was allocated through an indirect cost pool to the Job and Family Service department federally funded programs. Of the \$219,287 allocated to the individual programs, \$139,474 was funded from Federal dollars, and the remaining \$79,813 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A).

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

**FEDERAL COMPLIANCE (Continued)**

2 C.F.R. 225, Appendix A, Section C (1)(a) indicates that a cost is allowable to a federal program if it is necessary and reasonable for proper and efficient performance and administration of Federal awards. Additionally, section C (3)(a) indicates a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. The Scioto County Department of Job and Family Services entered into a subrecipient contract with the Community Action Organization for fiscal year 2010 TANF Subsidized Summer Employment Program for Youth. The unallowable expenditures related to this program total \$11,863 which is in excess of \$10,000 and, therefore, considered questioned costs under OMB Circular A133 § .510(a)(3).

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) recipients must complete and submit a semi-annual report (Form ED-209) in electronic format, unless EDA approves a paper submission. Semi-annual reports are required to be submitted to EDA within thirty days of the end of the period. 13 C.F.R. Section 307.16(b)(1) states that RLF recipients shall promptly inform EDA in writing of any condition that may adversely affect their ability to meet the prescribed schedule deadlines. RLF recipients must submit a written request to EDA for continued use of grant funds beyond a missed deadline. The County's RLF Manager did not file the semi-annual report for the period ending September 30, 2010. This report was due October 31, 2010. Furthermore, the County did not request a filing extension. This resulted in EDA formally suspending the County's RLF award as of January 6, 2011.

According to the *State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f)*, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of fund. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Scioto County has not developed a cash management system to ensure compliance with the Fifteen Day Rule.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) is presented for the General Fund and the Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Major Special Revenue Funds to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. The County does not budget for the unclaimed monies activity which is reported as an agency fund on the County's books. However, the activity is included in the General Fund for GAAP reporting purposes.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and all major special revenue funds are as follows:

	Net Change in Fund Balance				
	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services
GAAP Basis	\$1,848,218	\$791,311	\$208,179	(\$537,758)	\$81,568
Increases (Decreases) Due To:					
Revenue Accruals	(47,608)	(130,745)	102,589	(416,950)	(48,587)
Expenditure Accruals	(495,366)	(396,797)	(103,877)	(13,160)	(64,247)
Encumbrances	(416,440)	(141,198)	(228,977)	(42,500)	(68,813)
Unrecorded Cash - 2009	150,264	7,351	519	115,726	26,575
Unrecorded Cash - 2010	(150,532)	(3,805)	(213)	(89,849)	(17,321)
Transfers	(80,486)	0	0	0	0
Advances	(25,000)	0	(50,000)	(13,000)	0
Unbudgeted Activity	222	0	0	0	0
Budget Basis	<u>\$783,272</u>	<u>\$126,117</u>	<u>(\$71,780)</u>	<u>(\$997,491)</u>	<u>(\$90,825)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the County are classified by State statute into two categories. Active monies are public monies necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the County's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

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 or interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange similar securities, or cash, equal value for equal value;
9. Up to 25 percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding \$500 million rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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, \$228,339 of the County's bank balance of \$18,373,362 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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.

Investments may only be made through specific dealers and institutions.

**INVESTMENTS**

As of December 31, 2010, the County had the following investments.

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$68,050	average 58 days

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the County's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. Diversification by maturity will ensure the County can meet the projected cash flow as needed. The County Treasurer shall be responsible for meeting the anticipated cash flow needs for the County.

*Credit Risk:* STAROhio carries a rating of AAAM 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's investment policy limits investments to those authorized by State statute.

*Concentration of Credit Risk:* The County's investment policy places no limit on the amount it may invest in any one issuer.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009.

Payments made 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 by September 20.

The full tax rate for all County operations for the year ended December 31, 2010, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$668,122,970
Commercial/Industrial/Public Utility	149,178,940
Public Utility Real	12,232,390
Public Utility Personal	73,570,800
General Business Personal	1,439,860
Total Assessed Value	<u><u>\$904,544,960</u></u>

**NOTE 6 - PROPERTY TAXES (Continued)**

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 portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2010, and for which there is an enforceable legal claim. In the General Fund, the Board of Developmental Disabilities Fund, the Children Services Fund, and the T.B. Levy Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 7 - PERMISSIVE SALES TAX**

In accordance with Sections 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a one and one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. 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 to the Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2010.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), interfund activity, revenue in lieu of taxes, revenue due from other governments arising from grants and shared revenues, and loans. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, and loans. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2010, was \$518,771, of which \$28,120 is considered to be due within one year.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 8 - RECEIVABLES (Continued)**

A summary of the principal amounts due from other governments is as follows:

	<i>Amount</i>
<u>Governmental Activities Intergovernmental Receivables</u>	
Local Government	\$506,776
Intangible Tax Reimbursement	7,098
Indigent Defense Reimbursement	71,061
Human Services Grants/Reimbursements	625,525
Child Support Poundage	15,950
Board of DD Contractual Services	1,485,631
Children Services Reimbursements	430,325
High Visibility Enforcement Overtime Grant	5,402
Homestead and Rollback	474,893
COPS - Professional Training Grant	1,980
Prisoner Housing	189,454
Felony Delinquent Care and Custody Grant	189,021
Community Corrections Act Grants	117,423
Early Childhood Special Education Grant	8,224
Special Education Grant	47,868
IV-D Contract Billing	9,329
Rotary Contractual Services	114,079
Inmate Medical Reimbursement	1,575
Title XX Grant	37,181
Rural Transit Grants	3,154
VOCA Grant	58,743
Community Development Block Grants	1,380,501
Ohio Department of Development Grant	250,000
LEPT Grant	43,679
Byrne Justice Assistance Grant	7,453
ARRA Additional Law Enforcement Grant	11,686
P/T Assistant Prosecutor Grant	10,959
Access Scioto County Contractual Services	45,321
Department of Transportation Award for Hayward Bridge Project	3,113
Recreation Harbor Evaluation Grant	883
Southern Ohio Agricultural Community Development Grant	20,000
Fines and Court Costs	11,389
Emergency Management Performance Grant	9,427
State Homeland Security Program Grant	14,741
Cents Per Gallon	371,447
Gasoline Tax	780,824
Motor Vehicle License Tax	1,160,274
Total Governmental Activities	8,522,389
<u>Business-Type Activities Intergovernmental Receivables</u>	
Army Corps of Engineers Grant	38,434
Total Intergovernmental Receivables	\$8,560,823

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended December 31, 2010, was as follows:

	Restated Balance At 12/31/2009	Additions	Deletions	Balance At 12/31/2010
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,866,742	\$0	\$0	\$1,866,742
Construction in Progress	3,655,674	375,110	(4,030,784)	0
Total Capital Assets, Not Being Depreciated	5,522,416	375,110	(4,030,784)	1,866,742
Depreciable Capital Assets:				
Land Improvements	338,654	377,594	0	716,248
Buildings and Building Improvements	46,417,276	207,960	0	46,625,236
Furniture, Fixtures, and Equipment	5,766,659	319,763	(96,810)	5,989,612
Vehicles	4,934,268	173,129	(615,577)	4,491,820
Infrastructure	57,374,115	7,737,991	(154,431)	64,957,675
Total Depreciable Capital Assets	114,830,972	8,816,437	(866,818)	122,780,591
Less Accumulated Depreciation:				
Land Improvements	(71,730)	(23,244)	0	(94,974)
Buildings and Building Improvements	(11,885,811)	(997,142)	0	(12,882,953)
Furniture, Fixtures, and Equipment	(3,857,179)	(443,990)	89,701	(4,211,468)
Vehicles	(3,314,717)	(353,291)	566,705	(3,101,303)
Infrastructure	(20,403,108)	(1,568,403)	115,757	(21,855,754)
Total Accumulated Depreciation	(39,532,545)	(3,386,070)*	772,163	(42,146,452)
Depreciable Capital Assets, Net	75,298,427	5,430,367	(94,655)	80,634,139
Governmental Activities				
Capital Assets, Net	\$80,820,843	\$5,805,477	(\$4,125,439)	\$82,500,881

\*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$219,898
Judicial	52,132
Public Safety:	
Sheriff	414,124
Other	253,306
Public Works	1,654,272
Health	218,018
Human Services	267,416
Conservation and Recreation	230,307
Transportation	76,597
Total Depreciation Expense	<u>\$3,386,070</u>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 9 - CAPITAL ASSETS (Continued)**

Capital assets activity of the business-type activities for the year ended December 31, 2010, was as follows:

	Balance At 12/31/2009	Additions	Deletions	Balance At 12/31/2010
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$18,480	\$0	\$0	\$18,480
Construction in Progress	638,864	1,108,886	0	1,747,750
Total Capital Assets, Not Being Depreciated	657,344	1,108,886	0	1,766,230
Depreciable Capital Assets:				
Buildings and Building Improvements	7,191,482	55,000	0	7,246,482
Furniture, Fixtures, and Equipment	724,917	0	0	724,917
Vehicles	312,652	19,280	63,981	267,951
Infrastructure	14,559,003	18,445	0	14,577,448
Total Depreciable Capital Assets	22,788,054	92,725	63,981	22,816,798
Less Accumulated Depreciation:				
Buildings and Building Improvements	(2,526,966)	(144,151)	0	(2,671,117)
Furniture, Fixtures, and Equipment	(675,832)	(5,453)	0	(681,285)
Vehicles	(230,211)	(20,122)	(63,981)	(186,352)
Infrastructure	(3,228,849)	(228,098)	0	(3,456,947)
Total Accumulated Depreciation	(6,661,858)	(397,824)	(63,981)	(6,995,701)
Depreciable Capital Assets, Net	16,126,196	(305,099)	0	15,821,097
Business-Type Activities				
Capital Assets, Net	\$16,783,540	\$803,787	\$0	\$17,587,327

**NOTE 10 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORSA) (See Note 19) for liability, property, auto, and crime insurance. The County also carries Public Officials liability insurance through various insurance agencies. Settlements have not exceeded coverage in any of the last three years. There has not been a significant change in coverage from the prior year.

**NOTE 10 - RISK MANAGEMENT (Continued)**

The County participates in the Ohio Bureau of Workers' Compensation (the "Bureau") Retrospective Rating Program. Under the retrospective rating program, the County assumes a portion of the risk in return for a reduction in current premiums. This program involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in 2010. Current limits for claims incurred in calendar year 2010 are \$125,000 per claim and 150 percent of the annual premium in the aggregate. The minimum premium portion of intergovernmental payable is \$282,369 and the actual claim costs are \$31,219. The respective funds from which the salaries are paid pay the premium portion of the intergovernmental payable, while the General Fund pays the actual claim costs portion of the intergovernmental payable. Estimates of claim liabilities based on actuarial methods, for incurred but not reported claims as calculated by the Bureau for the cumulative retrospective rating period January 1, 2010, through December 31, 2010, total \$8,071 and are recorded within long-term liabilities in the government-wide financial statements.

The amounts reported in the government-wide financial statements at December 31, 2010, are based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Management Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Estimates were calculated based upon an independent actuarial evaluation of claims payable. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the Workers' Compensation Retrospective Rating Program for the current year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$0	\$8,071	\$0	\$8,071

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The County's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$2,006,889, \$1,971,278, and \$1,656,197, respectively. For 2010, 88.04 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the Member-Directed Plan for 2010 were \$35,355 made by the County and \$25,253 made by plan members.

**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description - Certified teachers, employed by the School for Developmental Disabilities, contribute to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling 888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a defined benefit (DB) plan, a defined contribution (DC) plan and a combined plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The combined plan offers features of both the DC plan and the DB plan. In the combined plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. The DB portion of the combined plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or combined plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2010, 2009, and 2008 were \$89,074, \$80,971, and \$80,557, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their 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.

**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$1,074,327, \$1,228,335, and \$1,584,606, respectively. For 2010, 88.04 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description – Certified teachers, employed by the School for Developmental Disabilities, contribute to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling 888-227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2010, 2009, and 2008 were \$6,852, \$6,229, and \$6,197, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**DEFERRED COMPENSATION**

County employees and elected officials may participate in one of two state-wide deferred compensation plans created in accordance with Internal Revenue Code Section 457, one offered by the State of Ohio and one by the County Commissioners Association of Ohio. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

**COMPENSATED ABSENCES**

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

**NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)**

Accumulated, unused sick leave is paid up to a maximum number of hours, depending on length of service and departmental policy, to employees who retire.

The employees in the Department of Children Services receive three days of personal leave with eight hours effective on July 1, November 1, and March 1. They must use the leave by June 30 or forfeit it.

**INSURANCE BENEFITS**

Employee health and dental insurance coverage was provided by Anthem for the year. Also, vision insurance and life insurance were provided by Anthem Vision Service Plan and Anthem Life, respectively.

Employee dental insurance for employees of the Board of Developmental Disabilities was provided by Delta Dental. Vision insurance and life insurance were provided by Vision Service Pro and Principal Financial Group, respectively.

**NOTE 14 - LEASES – LESSEE DISCLOSURE**

During 2010, and in prior years, the County entered into capitalized leases for energy-saving renovations to certain buildings, for vehicles and for furniture, fixtures, and equipment. The leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

In 2006, the County entered into lease-purchase agreements for energy-saving renovations to the facilities of the Board of Developmental Disabilities, the facilities of the Department of Job and Family Services and the Courthouse. In 2007, the County entered into a lease-purchase agreement for energy-saving renovations to the Children Services facilities. The County is leasing the projects from Citimortgage, Inc. Citimortgage, Inc. deposited monies with UMB Bank, who serves as the fiscal agent for the monies. The County utilized the monies held by UMB Bank for the renovations. In turn, the County will make semi-annual lease payments to UMB Bank. The projects for the facilities of the Department of Job and Family Services and the Courthouse, which were included in one lease agreement, were completed in 2007. The projects for the facilities of the Board of Developmental Disabilities and for Children Services were completed in 2008. Monies remaining in the escrow accounts relating to the projects for the Board of Developmental Disabilities and Children Services are interest earnings earned on the balance of the accounts during the completion of the projects. These monies were returned to the County in 2010 and used to pay debt service on the leases. Capital assets acquired under the lease-purchase agreement were capitalized as buildings and improvements in the Statement of Net Assets for governmental activities. The lease for the facilities of the Department of Job and Family Services and the Courthouse will expire in 2016. The lease for the facilities of the Board of Developmental Disabilities will expire in 2017. The lease for the Children Services facilities will expire in 2018.

Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 14 - LEASES – LESSEE DISCLOSURE (Continued)**

General capital assets consisting of buildings and improvements, vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$4,091,526. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2010 totaled \$536,549 in the governmental funds.

The assets acquired through capital leases as of December 31, 2010, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$2,850,818	\$188,758	\$2,662,060
Furniture, Fixtures, and Equipment	428,284	169,613	258,671
Vehicles	812,424	272,591	539,833
Total	\$4,091,526	\$630,962	\$3,460,564

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010:

Year Ending December 31,	Amount
2011	\$638,117
2012	397,361
2013	375,901
2014	355,600
2015	345,809
2016-2020	619,466
2021-2025	108,000
2026-2028	61,200
Total	2,901,454
Less: Amount Representing Interest	(515,090)
Present Value of Net Minimum Lease Payments	\$2,386,364

The County leases vehicles and furniture, fixtures, and equipment under noncancelable operating leases. Operating lease payments are reported as function expenditures in governmental funds and on the budgetary statements. Total operating lease payments in 2010 were \$16,612, which were paid from the General Fund and Special Revenue Funds.

The following is a schedule of the future minimum operating lease payments:

Year Ending December 31,	Amount
2011	\$6,249
2012	5,393
2013	5,393
Total	\$17,035

**NOTE 15 - LONG-TERM OBLIGATIONS**

**BUSINESS-TYPE ACTIVITY**

*General Obligation Bonds*

The County has issued General Obligation Bonds supported by Sewer Fund revenues. The proceeds of the bonds were used to fund various improvement projects in the County's sewer system and to refund bonds previously issued for the same purpose.

The entire amount of the refunded bonds was repaid, leaving no balance still outstanding on the original debt.

*Mortgage Revenue Bonds*

In 1970, Scioto County issued \$615,000 in Mortgage Revenue Bonds for the purpose of replacing sewer lines. The Sewer Fund's bond indentures have certain restrictive covenants which requires that a bond reserve fund be maintained and charges for services to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition. The bonds were issued for a 40 year period with final maturity in May 2010. The bonds were paid with revenues from the Sewer Fund.

*Farmer's Home Administration (FHA) Bonds*

The Farmer's Home Administration (FHA) General Obligation Bonds were issued for the purpose of replacing sewer lines. The bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 40 year serial bonds paid with revenues from the operation of the sewer system.

*Ohio Public Works Commission (OPWC) Loans*

The OPWC loans consist of money owed to the Ohio Public Works Commission for various sewer line and pump station renovation projects. These consist of 20 year general obligation loans payable. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loans will be repaid from the Sewer Fund.

*Ohio Water Development Authority (OWDA) Loans*

The OWDA loans consist of money owed to the Ohio Water Development Authority for various sewer line and pump station renovation projects. These consist of 5 - 10 year general obligation loans payable. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loans will be repaid from the Sewer Fund. The future debt service requirements for these loans are not presented in 2010 because the final amortization schedules had not been provided to the County as of the end of the year.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

Compensated absences and the Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims Payable will be paid from the Sewer District Enterprise Fund.

The change in the County's Business-Type Activity's long-term obligations during the year consisted of the following:

	Principal Outstanding at 12/31/2009	Additions	Deletions	Principal Outstanding at 12/31/2010	Due Within One Year
<i><u>Business-Type Activity</u></i>					
<i><u>General Obligation Bonds</u></i>					
Franklin Furnace Sewer Improvement Bonds 1997 4.50% - \$846,000	\$723,767	\$0	\$13,405	\$710,362	\$14,008
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	1,495,000	0	160,000	1,335,000	165,000
Unamortized Loss	(90,531)	0	(11,317)	(79,214)	0
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,124,690	0	14,600	1,110,090	15,260
Rigrish Sewer Bonds 2006 4.50% - \$322,000	312,562	0	3,433	309,129	3,588
<b>Total Enterprise General Obligation Bonds</b>	<b>3,565,488</b>	<b>0</b>	<b>180,121</b>	<b>3,385,367</b>	<b>197,856</b>
<i><u>Mortgage Revenue Bonds</u></i>					
1970 5.375% - \$615,000	35,000	0	35,000	0	0
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	663,400	0	14,900	648,500	15,700
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	535,050	0	11,250	523,800	11,760
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	707,425	0	13,950	693,475	14,578
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	730,290	0	11,970	718,320	12,510
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	309,550	0	5,880	303,670	6,160
<b>Total FHA Bonds</b>	<b>2,945,715</b>	<b>0</b>	<b>57,950</b>	<b>2,887,765</b>	<b>60,708</b>
<i><u>OPWC Loans</u></i>					
2002 0% - \$162,352	101,467	0	4,059	97,408	12,177
2004 0% - \$162,100	117,517	0	4,053	113,464	12,159
2006 0% - \$235,543	200,209	0	5,889	194,320	17,667
2006 0% - \$9,482	8,060	0	237	7,823	711
2008 0% - \$201,860	191,767	0	5,046	186,721	15,140
2009 0% - \$165,000	165,000	0	4,125	160,875	12,375
<b>Total OPWC Loans</b>	<b>\$784,020</b>	<b>\$0</b>	<b>\$23,409</b>	<b>\$760,611</b>	<b>\$70,229</b>

(Continued)

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2009	Additions	Deletions	Principal Outstanding at 12/31/2010	Due Within One Year
<i>Business-Type Activity</i>					
<i>OWDA Loans</i>					
Minford Area Wastewater Loan 2009 5.47%	\$1,465	\$409,654	\$20,240	\$390,879	\$20,240
Wastewater Design for Minford, Clarktown, Muletown, and Rubyville 2009 0%	79,054	271,021	0	350,075	0
Eden Park Planning and Design Loan 2009 0%	129,000	0	0	129,000	0
Total OWDA Loans	209,519	680,675	20,240	869,954	20,240
<i>Other Long-Term Obligations</i>					
Compensated Absences	80,888	1,807	18,728	63,967	34,812
<i>Total Business-Type Activity</i>	<u>\$7,620,630</u>	<u>\$682,482</u>	<u>\$335,448</u>	<u>\$7,967,664</u>	<u>\$383,845</u>

The following is a summary of the County's future annual debt service requirements for Business-Type Activity long-term debt:

	General Obligation Bonds		FHA Bonds		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2011	\$197,856	\$157,741	\$60,708	\$133,951	\$70,229	\$328,793	\$291,692
2012	209,327	148,875	63,534	131,125	46,819	319,680	280,000
2013	215,875	139,330	66,479	128,168	46,819	329,173	267,498
2014	227,489	129,526	69,506	125,073	46,819	343,814	254,599
2015	239,183	119,194	72,724	121,837	46,819	358,726	241,031
2016-2020	648,979	449,914	417,904	555,105	234,095	1,300,978	1,005,019
2021-2025	279,121	364,337	524,651	448,263	193,495	997,267	812,600
2026-2030	347,820	295,619	658,960	314,034	75,516	1,082,296	609,653
2031-2035	433,463	209,986	729,006	147,810	0	1,162,469	357,796
2036-2040	395,953	109,584	224,293	21,396	0	620,246	130,980
2041-2045	252,770	30,358	0	0	0	252,770	30,358
2046	16,745	754	0	0	0	16,745	754
Totals	<u>\$3,464,581</u>	<u>\$2,155,218</u>	<u>\$2,887,765</u>	<u>\$2,126,762</u>	<u>\$760,611</u>	<u>\$7,112,957</u>	<u>\$4,281,980</u>

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

**GOVERNMENTAL ACTIVITIES**

**General Obligation Bonds**

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of Bond Anticipation Notes. General Obligation Bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 20 year serial bonds. The Shelton Industries Bonds are paid from general revenues of the County. The bonds are reported as part of unrestricted net assets because the proceeds were used for the renovation of a building owned by the Southern Ohio Port Authority. The Various Purpose and the Juvenile Detention Center Bonds are both being paid with tax monies receipted into the General Fund and then transferred to the Debt Service Fund. The Human Services Refunding Bonds, issued May 1, 2004, are being paid with monies received into the Debt Service Fund from the Public Assistance Special Revenue Fund. The refunded bonds were retired on August 1, 2004. The County Jail Bonds are being paid from general revenues of the County.

The 2006 Various Purpose Refunding Bonds were issued November 14, 2006, for the purpose of advance refunding \$525,000 of the 2000 Various Purpose Bonds, \$1,055,000 of the 2000 Juvenile Detention Center Bonds, the Human Services Building Acquisition Bond Anticipation Note in the amount of \$210,000, the County Jail Bond Anticipation Note in the amount of \$250,000, and the Various Purpose Bond Anticipation Note in the amount of \$700,000.

**Developmental Disabilities Loans**

The Board of Developmental Disabilities has an outstanding general obligation loan which was issued in 1986. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The proceeds from the loan were used to construct the building for the STAR, Inc. Workshop. The loan will be paid from the Board of Developmental Disabilities Special Revenue Fund.

**Riverside Park Tractor Loan**

During 2007, the County entered into a loan agreement with US Bank for the purchase of a tractor for Riverside Park. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The loan is being repaid from the General Fund.

**Capital Leases and Compensated Absences**

Capital leases will be paid from the General Fund and the Public Assistance, Board of Developmental Disabilities, Sheriff's Policing Rotary, and Coordinated Transportation Special Revenue Funds.

Compensated absences will be paid from the following governmental funds:

General Fund  
Dog and Kennel Special Revenue Fund  
Public Assistance Special Revenue Fund  
Real Estate Assessment Special Revenue Fund  
Common Pleas Court Computer Special Revenue Fund  
Probation Supervision Services Special Revenue Fund

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

Board of Developmental Disabilities Special Revenue Fund  
T.B. Levy Special Revenue Fund  
Emergency Management Assistance Special Revenue Fund  
Children Services Special Revenue Fund  
Revolving Loan Special Revenue Fund  
Coordinated Transportation Special Revenue Fund  
Engineer Special Revenue Fund  
Recycling and Litter Prevention Special Revenue Fund  
Inmate Improvement Special Revenue Fund  
Drug Enforcement/Sheriff Special Revenue Fund  
Ohio Department of Rehabilitation and Correction Treatment Special Revenue Fund  
Sheriff's Policing Rotary Special Revenue Fund  
Mediation Grant Special Revenue Fund

The Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims Payable will be paid from the following funds:

General Fund  
Children Services Special Revenue Fund  
Engineer Special Revenue Fund  
Public Assistance Special Revenue Fund  
Board of Developmental Disabilities Special Revenue Fund

The change in the County's Governmental Activities' long-term obligations during the year consisted of the following:

	Principal Outstanding at 12/31/2009	Additions	Deletions	Principal Outstanding at 12/31/2010	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	\$2,330,000	\$0	\$80,000	\$2,250,000	\$85,000
Various Purpose Bonds					
2000 5.7% - \$1,940,000	175,000	0	175,000	0	0
Juvenile Detention Center Bonds					
2000 5.80% - \$1,820,000	175,000	0	85,000	90,000	90,000
Human Services Refunding Bonds					
2004 2.00 - 3.25% - \$2,050,000	560,000	0	275,000	285,000	285,000
Unamortized Loss	(12,562)	0	(6,281)	(6,281)	0
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	5,300,000	0	180,000	5,120,000	185,000
Premium on Jail Bonds	4,093	0	205	3,888	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	2,670,000	0	100,000	2,570,000	150,000
Unamortized Loss	(52,458)	0	(17,486)	(34,972)	0
<b>Total General Obligation Bonds</b>	<b>\$11,149,073</b>	<b>\$0</b>	<b>\$871,438</b>	<b>\$10,277,635</b>	<b>\$795,000</b>

(Continued)

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2009	Additions	Deletions	Principal Outstanding at 12/31/2010	Due Within One Year
<i>Bond Anticipation Notes</i>					
Commercial Property Acquisition Bond Anticipation Note September 17, 2009 - 7.00% - \$212,000	\$187,000	\$0	\$187,000	\$0	\$0
Various Purpose Bond Anticipation Note September 17, 2009 - 6.75% - \$425,000	400,000	0	400,000	0	0
Total Bond Anticipation Notes	587,000	0	587,000	0	0
<i>Other Long-Term Obligations</i>					
Developmental Disabilities Loan 1986 3.00% - \$150,000	24,958	0	7,806	17,152	8,080
Riverside Park Tractor Loan 2007 4.47% - \$20,566	10,186	0	4,232	5,954	4,431
Capital Leases	2,598,138	324,775	536,549	2,386,364	524,859
Compensated Absences	1,906,171	1,234,054	1,193,634	1,946,591	1,157,369
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	0	8,071	0	8,071	8,071
Total Other Long-Term Obligations	4,539,453	1,566,900	1,742,221	4,364,132	1,702,810
<i>Total Governmental Activities</i>	<u>\$16,275,526</u>	<u>\$1,566,900</u>	<u>\$3,200,659</u>	<u>\$14,641,767</u>	<u>\$2,497,810</u>

The following is a summary of the County's future annual debt service requirements for governmental activities' long-term debt:

	General Obligation Bonds		Developmental Disabilities Loan		Riverside Park Tractor Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$795,000	\$519,695	\$8,080	\$464	\$4,431	\$181	\$807,511	\$520,340
2012	515,000	487,011	8,363	181	1,523	15	524,886	487,207
2013	550,000	464,992	709	2	0	0	550,709	464,994
2014	560,000	440,817	0	0	0	0	560,000	440,817
2015	590,000	415,253	0	0	0	0	590,000	415,253
2016-2020	3,080,000	1,645,421	0	0	0	0	3,080,000	1,645,421
2021-2025	2,730,000	876,737	0	0	0	0	2,730,000	876,737
2026-2029	1,495,000	187,663	0	0	0	0	1,495,000	187,663
Totals	<u>\$10,315,000</u>	<u>\$5,037,589</u>	<u>\$17,152</u>	<u>\$647</u>	<u>\$5,954</u>	<u>\$196</u>	<u>\$10,338,106</u>	<u>\$5,038,432</u>

The County's total legal debt margin was \$19,685,087 at December 31, 2010, with an unvoted debt margin of \$7,616,913 at December 31, 2010.

**NOTE 15 - LONG-TERM OBLIGATIONS (Continued)**

**CONDUIT DEBT OBLIGATION**

During 1985, the County, in conjunction with several other political subdivisions of Ohio, issued Revenue Bonds in the aggregate principal amount of \$72,000,000. The proceeds were used to fund the VHA Central Inc. Capital Asset Financing Program. The program provides financing for hospitals in Ohio to acquire equipment and other capital assets. The balance outstanding as of December 31, 2010, is \$27,000,000.

During 1991, the County issued Revenue Bonds in the aggregate principal amount of \$27,200,000 for The Norfolk Southern Corporation. The proceeds were used to refund bonds that had been used by Norfolk Southern Corporation to finance the construction of a coal distribution facility. The balance outstanding as of December 31, 2010, is \$3,709,089.

During 2001, the County issued Revenue Bonds in the aggregate principal amount of \$1,870,000 for the Shawnee Mental Health Center. The proceeds were used by the Shawnee Mental Health Center to construct a new facility. The balance outstanding as of December 31, 2010, is \$1,375,000.

During 2002, the County issued Revenue Bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds were used by The Counseling Center, Inc. to renovate two of its facilities and to refinance an outstanding commercial loan that was used to acquire and renovate three of its facilities. The balance outstanding as of December 31, 2010, is \$735,000.

During 2006, the County issued Hospital Revenue Bonds in the aggregate principal amount of \$131,375,000 for the Southern Ohio Medical Center (SOMC). The proceeds were used by SOMC to construct a new addition to the Hospital Facility and related renovations. The balance outstanding as of December 31, 2010, is \$123,050,000.

Conduit debt bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment.

**NOTE 16 - BOND ANTICIPATION NOTES PAYABLE**

During 2010, the County retired the Airport Hanger Bond Anticipation Note in the amount of \$55,000.

During 2010, the County retired the Commercial Property Acquisition Bond Anticipation Note in the amount of \$212,000 and reissued the note in the amount of \$187,000. The note is presented as a fund liability on the financial statements. The note will mature on September 15, 2011.

During 2010, the County retired the Various Purpose Bond Anticipation Note in the amount of \$425,000 and reissued the note in the amount \$400,000. The note is presented as a fund liability on the financial statements. The note will mature on September 15, 2011.

During 2010, the County retired the Ginat Dredging Project Bond Anticipation Note in the amount of \$250,000.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 16 - BOND ANTICIPATION NOTES PAYABLE (Continued)**

All bond anticipation notes are backed by the full faith and credit of the County.

<i>Types / Issues</i>	<i>Balance 12/31/09</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance 12/31/10</i>
<u><i>Governmental Activities</i></u>				
Airport Hangar Bond Anticipation Note				
September 17, 2009 - 6.50% - \$55,000	\$55,000	\$0	\$55,000	\$0
Commercial Property Acquisition				
Bond Anticipation Note				
September 17, 2009 - 7.00% - \$212,000	25,000	0	25,000	0
September 16, 2010 - 5.00% - \$187,000	0	187,000	0	187,000
Various Purpose Bond				
Anticipation Note				
September 17, 2009 - 6.75% - \$425,000	25,000	0	25,000	0
September 16, 2010 - 4.75% - \$400,000	0	400,000	0	400,000
Ginat Dredging Project Bond				
Anticipation Note				
March 5, 2009 - 3.41% - \$250,000	766	0	766	0
December 30, 2009 - 2.88% - \$250,000	250,000	0	250,000	0
Total Governmental Activities	<u>\$355,766</u>	<u>\$587,000</u>	<u>\$355,766</u>	<u>\$587,000</u>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 17 - INTERFUND ACTIVITY**

Interfund balances at December 31, 2010, consist of the following individual fund receivables and payables:

		Receivables					
Payables		General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Nonmajor Governmental Funds	Total
	General		\$0	\$63,964	\$0	\$809,440	\$478,617
Public Assistance		0	0	0	27,774	67,727	95,501
Nonmajor Governmental Funds		25,119	25,627	204,600	840,702	0	1,096,048
<b>Total</b>		<b>\$25,119</b>	<b>\$89,591</b>	<b>\$204,600</b>	<b>\$1,677,916</b>	<b>\$546,344</b>	<b>\$2,543,570</b>

The General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies, for services performed for which payments are owed, or to cover a negative cash balance in another fund. The Motor Vehicle Gas Tax Fund advanced money to the Hayport Road Bridge Construction Nonmajor Fund. The Public Assistance Fund has outstanding payables to Nonmajor Governmental Funds for services provided through various contracts existing with Public Assistance. All advances will be reimbursed either when funds become available or when payments for services are rendered. The General Purpose Bond Fund advanced the General Fund \$500,000 in 2006 which was used for general operating expenditures. As of December 31, 2010, the General Fund had repaid \$100,000 of the advance, leaving a remaining balance of \$400,000 owed from the General Fund to Nonmajor Governmental Funds. During 2007 and 2008, debt service payments were made from the Board of Developmental Disabilities Fund and the Board of Developmental Disabilities Capital Projects Fund that should have been made from the General Fund and the Public Assistance Fund for the Ameresco lease purchase agreement funded by the General Fund and the Public Assistance Fund. Since the payments have not been moved to the correct funds, the payments are presented as interfund receivables in the funds that are owed the monies and interfund payables in the funds that owe the monies.

During 2010, the County had negative cash balances in the General Fund and the Juvenile Detention Center Special Revenue Fund that were carried over from prior years due to the costs of operations of the jail, court, and juvenile detention facilities. The County made advances from the Board of Developmental Disabilities Fund in the amounts of \$758,911 and \$827,702 to eliminate the negative cash balances in the General Fund and Juvenile Detention Center Special Revenue Fund, respectively.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

**NOTE 17 - INTERFUND ACTIVITY (Continued)**

Transfers made during the year ended December 31, 2010 were as follows:

		Transfers To		
		Public Assistance	Nonmajor Governmental Funds	Total
Transfers From	General	\$280,914	\$1,208,532	\$1,489,446
	Motor Vehicle			
	Gas Tax	0	15,000	15,000
	Board of DD	0	704,944	704,944
	Nonmajor Governmental Funds	0	68,707	68,707
	<b>Total</b>	<b>\$280,914</b>	<b>\$1,997,183</b>	<b>\$2,278,097</b>

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies were transferred from the General Fund to nonmajor debt service funds to make debt service payments. Two transfers were made from the Board of Developmental Disabilities Special Revenue Fund to the Board of Developmental Disabilities Capital Improvements Capital Projects Fund to be used for future projects. A transfer was made from the Motor Vehicle Gas Tax Special Revenue Fund to the County Sign Upgrade Project Special Revenue Fund to help fund the replacement of county road signs.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE**

**ADAMS, LAWRENCE, SCIOTO ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD - JOINTLY GOVERNED ORGANIZATION**

Scioto County is a member of the three-county Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS Board), which is a jointly governed organization between Adams, Lawrence, and Scioto Counties. The purpose of the ADAMHS Board is to provide aid, support and education for alcohol and drug dependent citizens as well as those who are mentally handicapped.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

The three-county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, four are appointed by the Ohio Director of Mental Health Services, four each are appointed by Scioto and Lawrence Counties and two are appointed by Adams County. The main sources of revenue for this board are grants from the two State departments. Outside agencies are contracted by the Board to provide service for the Board. Financial records are maintained by the Scioto County Auditor and Treasurer. Each county has a participation percentage based upon the number of board members appointed. Scioto County appoints four members, which represents 40 percent of the total members appointed by the three counties. The ADAMHS Board received a contribution from the County of \$2,000 during 2010.

**OHIO VALLEY RESOURCE CONSERVATION AND DEVELOPMENT AREA, INC. - JOINTLY GOVERNED ORGANIZATION**

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia, and Lawrence Counties each appoint three members to the 30 member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received no contributions from the County during 2010; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

**WORKFORCE INVESTMENT BOARD - JOINTLY GOVERNED ORGANIZATION**

The Workforce Investment Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, and Brown Counties appointed by the county commissioners from each county. The 48 member Board includes 12 members from each participating county and includes 51 percent of its members from the private sector. The remaining members include individuals from education, one-stop partners, juvenile justice centers, labor organizations, local public housing and former participants. The Workforce Investment Board typically meets three to four times per year and is responsible for the five-year plan, selecting one-stop operators, selecting youth providers and coordinating all activities in association with Workforce Improvement Act funds. This Board enables the participating counties to have more local control over the programs which they assist in overseeing. The Workforce Investment Board received no contributions from the County during 2010.

**OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION - JOINTLY GOVERNED ORGANIZATION**

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a 12 county economic development planning district in southern Ohio. The Commission was formed to favorably influence the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Scioto County for its existence. The County contributed \$13,020 to the Commission during the year.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

**SCIOTO COUNTY COMMUNITY ACTION ORGANIZATION - JOINTLY GOVERNED ORGANIZATION**

The Scioto County Community Action Organization (CAO) is an IRS 502(c)(3) non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Scioto County. The CAO administers the Workforce Investment Act grant. The CAO Board is comprised of local public officials. The CAO controls its own operations and budget. In 2010, the County made no contributions to the CAO.

**SOUTHERN OHIO DEVELOPMENT INITIATIVE - JOINTLY GOVERNED ORGANIZATION**

The Southern Ohio Development Initiative was created with assistance from the U.S. Department of Energy to assist in the development of industrial areas to offset the potential downsizing and privatization of the Uranium Enrichment Plant in Piketon, Ohio. It is a legally separate, not-for-profit corporation with representatives from each of the counties impacted by the events at the Piketon Plant. The counties involved in this initiative are Pike, Ross, Scioto and Jackson Counties. The County has no authority to impose its will on the organization nor is a burden/benefit relationship in existence. During 2010, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY - JOINTLY GOVERNED ORGANIZATION**

The Portsmouth Metropolitan Housing Authority (the Authority) is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the City of Portsmouth. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received no contributions from the County during 2010.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS - JOINTLY GOVERNED ORGANIZATION**

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization, created under the Ohio Revised code section 167.01. The governing body consists of a 15 member board with each participating County represented by the Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The County paid the Council \$45,642 for services provided during the year. Financial statements can be obtained from the Southern Ohio Council of Governments, 17273 St. Rt. 104, Building 8, Chillicothe, Ohio, 45601.

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

**JOINT SOLID WASTE DISTRICT - JOINT VENTURE**

The County participates in a joint venture with Lawrence County, the Joint Solid Waste District (the District). The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. Each of the governments supports the District and shares in an equal percentage of equity. The degree of control exercised by each participating County is limited to its representation on the Board. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the District rotates between the two counties every third year. Lawrence County maintained the records in 2010.

The County has an investment that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of the District upon its dissolution. The agreement also sets forth the method to determine each members' proportionate share.

The District is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future. The County's investment interest in the District was \$227,591 as of December 31, 2010. Complete financial statements can be obtained from the Solid Waste District at 305 North 5<sup>th</sup> Street, Ironton, OH 45638.

**NOTE 19 - RISK SHARING POOL**

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

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among 60 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. The coverage includes 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 CORSA 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 budgetary and financing of CORSA is limited to its voting authority and any representative 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 payments of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2010 was \$378,488. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 20 - RELATED ORGANIZATION**

**SOUTHERN OHIO PORT AUTHORITY**

The Southern Ohio Port Authority (the Authority) is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a nine member Board of Trustees appointed by the Scioto County Commissioners. The Trustees adopt their own appropriations, hire and fire their own staff, authorize the Authority's expenditures, and do not rely on the County to finance deficits.

**NOTE 21 - CONTRACTUAL COMMITMENTS**

As of December 31, 2010, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2010
<i>Hayport Bridge - DGM</i>	\$3,733,452	\$3,522,322	\$211,130
<i>Reappraisal - Tyler Technologies, Inc.</i>	756,000	687,200	68,800
<i>Bridge Inspection Program - Euthenics, Inc.</i>	147,373	45,964	101,409
<i>Eden Park Sanitary Sewer Project - Strand &amp; Associates</i>	450,500	201,205	249,295
<i>Minford Sewer Extension - EMH&amp;T</i>	3,350,500	1,495,075	1,855,425
Totals	<u>\$8,437,825</u>	<u>\$5,951,766</u>	<u>\$2,486,059</u>

**NOTE 22 - CONTINGENT LIABILITIES**

**LITIGATION**

The County is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of liability, if any, is not measurable.

**FEDERAL AND STATE GRANTS**

For the period January 1, 2010, to December 31, 2010, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

**NOTE 23 - RELATED PARTY TRANSACTIONS**

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of STAR, Inc. In 2010, these contributions were \$163,550.

The Scioto County Airport Authority, a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of the Scioto County Airport Authority. In 2010, these contributions were \$55,959.

**NOTE 24 - FISCAL EMERGENCY**

On August 19, 2009, the Ohio Auditor of State declared Scioto County in fiscal emergency, as defined by Ohio Revised Code Section 118.03. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Chairman of the Scioto County Commissioners, the County Auditor, and three individuals appointed by the Governor who are residents of the County and meet certain criteria. The Commission will be responsible for approving a financial recovery plan that eliminates the fiscal emergency conditions, balances the budget and avoids future deficits.

In accordance with Ohio Revised Code Section 118.06, the County is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Commission approved the initial recovery plan in April 2010.

**NOTE 25 - RESTATEMENT OF PRIOR YEAR NET ASSETS**

For 2010, a restatement of depreciable capital assets was necessary to properly record the cost of the Department of Job and Family Services building that had been recorded incorrectly and the Board of Developmental Disabilities bus garage which was not recorded in a prior year but should have been.

	Governmental Activities
Net Assets, December 31, 2009, as Previously Reported	<u>\$84,759,566</u>
Restatement of Depreciable Capital Assets	<u>177,292</u>
Net Assets, December 31, 2009, as Restated	<u><u>\$84,936,858</u></u>

**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS**

**STAR, INC.**

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of STAR, Inc.:

Summary of Significant Accounting Policies - STAR, Inc. was incorporated as a not-for-profit organization under the laws of the State of Ohio. STAR, Inc. provides services to individuals with disabilities living in Southwestern Ohio. STAR, Inc. considers the Scioto County Board of Developmental Disabilities a primary partner in providing services to individuals with mental retardation and developmental disabilities in Scioto County.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Budgetary Basis of Accounting - Budgetary information for the discretely presented component unit is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

Accounts Receivable - Accounts receivable represents charges for services from companies and are considered fully collectable.

Capital Assets - A summary of STAR, Inc.’s capital assets at December 31, 2010, follows:

Machinery and Equipment	\$254,997
Less: Accumulated Depreciation	<u>(207,046)</u>
Total Capital Assets (net)	<u><u>\$47,951</u></u>

Capital assets are depreciated on a straight-line basis using an estimated useful life of three to 10 years for STAR, Inc.’s equipment.

**SCIOTO COUNTY AIRPORT AUTHORITY**

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the Scioto County Airport Authority:

Measurement Focus and Basis of Accounting - The Scioto County Airport Authority is accounted for like enterprise funds using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Budgetary Basis of Accounting - Budgetary information for the discretely presented component unit is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2010

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**NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Due from Other Governments - Due from other governments represents intergovernmental revenue to be received from the FAA for improvements to the airport runways.

Capital Assets - A summary of the Scioto County Airport Authority's capital assets at December 31, 2010, follows:

Land	\$365,737
Construction in Progress	3,371
Land Improvements	593,363
Buildings	1,657,317
Machinery and Equipment	124,270
Vehicles	95,500
Infrastructure	423,816
Less: Accumulated Depreciation	<u>(1,007,836)</u>
Total Capital Assets (net)	<u><u>\$2,255,538</u></u>

Restatement of Prior Year Net Assets - For 2010, a restatement of nondepreciable capital assets was necessary to properly account for engineering costs that had been improperly included in construction in progress in 2009.

	Component Units - Scioto County Airport Authority
Net Assets, December 31, 2009, as Previously Reported	\$2,448,721
Restatement of Nondepreciable Capital Assets	<u>(160,043)</u>
Net Assets, December 31, 2009, as Restated	<u><u>\$2,288,678</u></u>

**NOTE 27 - SUBSEQUENT EVENTS**

On July 28, 2011, the County Commissioners entered into a Cooperative Agreement with the Ohio Development Water Administration for a loan, in the amount of \$895,000, for wastewater system design for the Minford area sanitary sewer project. The loan is scheduled to be repaid in five years at an interest rate of 4.53%.

SCIOTO COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through Ohio Department of Job and Family Services:</i>			
Supplemental Nutrition Assistance Program:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5110	10.561	\$702,198
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5110		<u>44,214</u>
Total Supplemental Nutrition Assistance Program			<u>746,412</u>
Total U.S. Department of Agriculture			746,412
<b><u>UNITED STATES DEPARTMENT OF COMMERCE</u></b>			
<i>Direct from Economic Development Administration:</i>			
Economic Adjustment Assistance	N/A	11.307	<u>499,593</u>
Total U.S. Department of Commerce			499,593
<b><u>UNITED STATES DEPARTMENT OF DEFENSE</u></b>			
<i>Direct from the United States Department of Defense, Department of the Army:</i>			
U.S. Army Corps of Engineers: Section 594 Environmental Infrastructure Program	N/A	12.xxx	<u>325,938</u>
Total U.S. Department of Defense			325,938
<b><u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program			
Community Development Program	B-F-08-068-1	14.228	78,658
Community Development Program	B-F-09-1CP-1		235,899
Discretionary Program	B-D-09-1CP-1		99,500
Housing Program Income	N/A		2,000
CDBG Revolving Loans	N/A		6,397
<i>Passed through Vinton County, Ohio:</i>			
Neighborhood Stabilization Program (NSP)	B-Z-08-075-1		<u>115,289</u>
Total Community Development Block Grants/State's Program			<u>537,743</u>
Total U.S. Department of Housing and Urban Development			537,743
<b><u>UNITED STATES DEPARTMENT OF THE INTERIOR</u></b>			
<i>Direct from Federal Government:</i>			
Payments in Lieu of Taxes	N/A	15.226	<u>3,850</u>
Total U.S. Department of the Interior			3,850
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Block Grant	2007-JB-008-B073	16.523	15,000
Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster:			
<i>Passed through the City of Portsmouth, Ohio:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2007-F2663-OH-DJ	16.738	14,520
<i>Passed through the Office of Criminal Justice:</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States	2009-RA-D01-2190	16.803	39,976
	2009-RA-D01-2174		<u>39,174</u>
Total ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States			<u>79,150</u>
Total Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster			<u>93,670</u>
Total U.S. Department of Justice			108,670
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct from the United States Federal Aviation Administration:</i>			
Airport Improvement Program	3-39-0069-1309	20.106	28,863
	3-39-0069-1410		<u>84,572</u>
Total Airport Improvement Program			<u>113,435</u>
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	PID87812	20.205	300,000
	PID87810		116,109
	PID87270		45,964
	PID87063		12,600
	PID87495		<u>30,717</u>
			505,390
ARRA-Highway Planning and Construction	PID86353	20.205	<u>1,200,000</u>
Total Highway Planning and Construction			1,705,390

**SCIOTO COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity's Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION (Continued)</u></b>			
<i>Passed Through Ohio Department of Transportation (Continued)</i>			
Formula Grants for Other Than Urbanized Areas	RPT-4073-030-101 RPT-0073-030-102	20.509	\$349,434 39,180 <u>388,614</u>
ARRA- Formula Grants for Other Than Urbanized Areas	RPTS-0073-001-093	20.509	<u>96,312</u>
Total Formual Grants for Other Than Urbanized Areas			484,926
Total Passed Through Ohio Department of Transportation			2,190,316
<i>Passed Through Ohio Department of Public Safety - Governor's Highway Safety Office:</i>			
State and Community Highway Safety	HVEO-2010-73-00-00-00338-00 HVEO-2011-73-00-00-00555-00	20.600	22,484 5,402 <u>27,886</u>
Total State and Community Highway Safety			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP 16th Year Supplemental	20.703	<u>4,258</u>
Total U.S. Department of Transportation			2,335,895
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	078063-6BSF-2010 078063-6BSF-2011	84.027	43,465 20,515 <u>63,980</u>
ARRA - Special Education - Grants to States	078063- 6BSF-2011	84.391	<u>63,000</u>
Total Special Education - Grants to States			126,980
Special Education - Preschool Grants	078063-PGS1-2010 078063-PGS1-2011	84.173	7,058 3,525 <u>10,583</u>
ARRA - Special Education - Preschool Grants	078063-PGS1 -2011	84.392	<u>496</u>
Total Special Education - Preschool Grants			<u>11,079</u>
Total Special Education Cluster			<u>138,059</u>
Total Passed through the Ohio Department of Education			138,059
<i>Passed through Ohio Department of Health:</i>			
Special Education - Grants for Infants and Families	73-6-001-1-IHO-310 73-6-001-1-IHO-411	84.181	25,391 24,152 <u>49,543</u>
Total Special Education - Grants for Infants and Families			<u>49,543</u>
Total United States Department of Education			187,602
<b><u>UNITED STATES ELECTION ASSISTANCE COMMISSION</u></b>			
<i>Passed through Ohio Secretary of State:</i>			
Help America Vote Act Requirement Payments	N/A	90.401	<u>254</u>
Total U.S. Election Assistance Commission			254
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through Ohio Secretary of State:</i>			
Voting Access for Individuals with Disabilities - Grants to States	06-SOS-HHHS-73	93.617	665
<i>Passed through the Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-1011-11-5111	93.556	41,152
Child Support Enforcement	G-1011-11-5110	93.563	378,279
ARRA - Child Support Enforcement	G-1011-11-5110	93.563	317,266
Child Welfare Services - State Grants	G-1011-11-5111	93.645	84,875
Foster Care Title IV-E	G-1011-11-5111	93.658	595,964
ARRA - Foster Care Title IV-E	G-1011-11-5111	93.658	28,253
Adoption Assistance	G-1011-11-5111	93.659	270,793
ARRA - Adoption Assistance	G-1011-11-5111	93.659	51
Child Abuse and Neglect State Grants	G-1011-11-5111	93.669	2,000
Chafee Foster Care Independence Program	G-1011-11-5111	93.674	15,190
Social Services Block Grant	G-1011-11-5110	93.667	258,661

SCIOTO COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u></b>			
<i>Passed Through the Ohio Department of Job and Family Services: (Continued)</i>			
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	G-1011-11-5110	93.558	\$3,787,017
ARRA - Emergency Contingency Fund for TANF State Program	G-1011-11-5110	93.714	313,435
Total TANF Cluster			<u>4,100,452</u>
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	G-1011-11-5110	93.575	16,106
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5110	93.596	190,773
Total Child Care and Development Fund Cluster:			<u>206,879</u>
Medical Assistance Program	G-1011-11-5110/G-1011-11-5111	93.778	<u>1,027,506</u>
Total Passed through the Ohio Department of Job and Family Services			<u>7,327,321</u>
<i>Passed through Ohio Department of Developmental Disabilities:</i>			
Social Services Block Grant	2010	93.667	41,229
ARRA - Medical Assistance Program - Enhanced Federal Medical Assistance Percentage	N/A	93.778	<u>151,716</u>
Total Passed through the Ohio Department of Developmental Disabilities			192,945
<i>Passed through Ohio Department of Health:</i>			
Universal Newborn Hearing Screening	73-6-001-1-IHO-310 73-6-001-1-IHO-411	93.251	6,777 <u>3,388</u> 10,165
Maternal and Child Health Service Block Grant to the States	73-6-001-1-IHO-310 73-6-001-1-IHO-411	93.994	3,694 <u>3,516</u> 7,210
Total Maternal and Child Health Service Block Grant to the States			<u>17,375</u>
Total United States Department of Health and Human Services			7,538,306
<b><u>UNITED STATES EXECUTIVE OFFICE OF THE PRESIDENT</u></b>			
<i>Passed through the City of Shaker Heights, Ohio:</i>			
High Intensity Drug Trafficking Areas Program	G09OH0001A	95.001	<u>983</u>
Total U.S. Executive Office of the President			983
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grants	2009-EP-E9-0061 2010-EP-00-0003	97.042	28,344 <u>18,785</u> 47,129
Total Emergency Management Performance Grants			47,129
Homeland Security Grant Program	2008-GE-T8-0025 2009-SS-T9-0089	97.067	20,851 <u>70,152</u> 91,003
Total Homeland Security Grant Program			91,003
Total U.S. Department of Homeland Security			<u>138,132</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>\$12,423,378</u></u></b>

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

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**SCIOTO COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons 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 (ODOD). The Schedule reports loans made and administrative costs as disbursements on the Schedule. The County uses loan repayments and interest received to make additional loans, which the Schedule also reports. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by equipment.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Beginning loans receivable balance as of January 1, 2010:	\$74,043
Loans made	0
Loan principal repaid	(6,494)
Ending loans receivable balance as of December 31, 2010:	<u>\$67,549</u>
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$149,079
Administrative costs expended during 2010	6,397
Total Value of RLF Portion of the CDBG Program	<u>\$223,025</u>
Other Grants Administered through the CFDA # 14.228 Program	<u>531,346</u>
Total CDBG CFDA # 14.228 Program:	\$754,371
Delinquent Amounts Due as of December 31, 2010:	\$67,549

In addition, the County has an Ohio Small Cities Community Development Block Grant (CDBG) Housing Program Income Account. The cash balance on hand in the account at December 31, 2010 was \$6,359. Receipts and expenditures from the account during 2010 were \$3,750 and \$2,000 respectively.

**NOTE C – 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.

**NOTE D – COMMUNITY ALTERNATIVE FUNDING SOURCE (CAFS) / TARGETED CASE MANAGEMENT (TCM)**

The County received a total of \$102,748 from the Ohio Department of Developmental Disabilities which represented \$101,682 relating to a 2004-2005 CAFS Settlement and \$1,066 relating to a 2004-2006 TCM Settlement. These amounts relate to settlements for CAFS and TCM services provided during prior years and are not included on the Schedule.

**SCIOTO COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Continued)**

**NOTE E - OHIO DEPARTMENT OF JOB AND FAMILY SERVICES (ODJFS) 2010 ADJUSTMENT**

The Ohio Department of Job and Family Services (ODJFS) sub-awarded Scioto County Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

Program	CFDA #	Pass Through Number	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care Mandatory and matching Funds of the Child Care and Development Fund	93.596	G-1011-11-5110	\$919,851	(\$300,653)	\$619,198
Temporary Assistance for Needy Families	93.558	G-1011-11-5110	5,054,274	300,653	5,354,927



# Dave Yost • Auditor of State

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

Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 23, 2011, wherein we noted the County is experiencing financial difficulties. In addition, on August 19, 2009 the Auditor of State determined a fiscal emergency existed, and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Rev. Code. We also noted a restatement of governmental activities' depreciable capital assets. 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*.

### 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2010-01 and 2010-02 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the County's 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-01 through 2010-04.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 23, 2011.

The County's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 23, 2011



# Dave Yost • Auditor of State

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

Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Scioto 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 could directly and materially affect each of Scioto County's major federal programs for the year ended August 23, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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.

As described in Finding 2010-08 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding cash management applicable to its Community Development Block Grant/State's Program CFDA #14.228 major federal program. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists these instances as Findings 2010-05 through 2010-07.

### **Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2010-05 and 2010-07 through 2010-09 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-06 to be a significant deficiency.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 23, 2011.

The County's responses to the Findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. 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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 23, 2011

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**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Community Development Block Grants/State's Program CFDA # 14.228  Unqualified - All others
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Supplemental Nutrition Assistance Program - CFDA # 10.561 Economic Adjustment Assistance – CFDA #11.307 U.S. Army Corps of Engineers: Section 594 Environmental Infrastructure Program – CFDA #12.xxx Community Development Block Grants/State's Program - CFDA # 14.228 Highway Planning and Construction – CFDA #20.205 Formula Grants for Other Than Urbanized Areas – CFDA #20.509

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>1. SUMMARY OF AUDITOR'S RESULTS (Continued)</b>
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<b>(d)(1)(vii)</b>	<b>Major Programs (list) (Continued):</b>	Temporary Assistance for Needy Families Cluster - CFDA # 93.558/93.714 Child Support Enforcement - CFDA # 93.563 Medical Assistance Program - CFDA # 93.778
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 377,364 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)

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

**FINDING NUMBER 2010-01**

**Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit**

Ohio Rev. Code Section 133.22(A)(1)(a) provides that the taxing authority of a subdivision having legal authority and desiring to issue anticipatory securities that are Chapter 133 securities may pass legislation, and if anticipatory securities are outstanding and are to be paid in whole or in part at their maturity from the proceeds of renewal anticipatory securities, the taxing authority shall pass legislation that, with respect to the bonds anticipated, declares the necessity of the bond issue and states its purpose, which shall be for one purpose, and the principal amount or maximum principal amount of the bonds and an estimated principal payment schedule for and an estimated or maximum average annual interest rate on the bonds. Ohio Rev. Code Section 133.22(A)(2)(a) requires the legislation, with respect to anticipatory securities, to state the principal amount or maximum principal amount of the anticipatory securities to be issued and outstanding, not to exceed the amount of the bond issue.

Ohio Rev. Code Section 133.22(A)(2)(b) requires the legislation, with respect to anticipatory securities, to provide for, or provide for the method for from time to time establishing or determining, the rate or rates of interest or the maximum rate or rates of interest to be paid on the anticipatory securities, the date or dates of the anticipatory securities, and the maturity or maturities or the maximum maturity of the anticipatory securities.

On October 5, 2006, the County Commissioners adopted a resolution authorizing the renewal of a \$500,000 Various Purpose Bond Anticipation Note. Originally, the \$500,000 was to be used for capital improvements in the Recorder's Office and Job and Family Services Offices. However, payments for these projects were paid from the Recorder's Special Fund (237) and the Job and Family Services Fund (218) which meant that the \$500,000 that had been placed in the General Fund was used to pay for routine operating expenses. Renewal of this debt shows that short term expenses were financed by this Bond Anticipation Note. This is a violation of Ohio Rev. Code Section 133.22(A)(1)(a) which requires the note to have one purpose and not to be used for general operating expenses.

Due to the financial condition discussed in Note 24 to the basic financial statements, this adjustment has not been posted by the County to its cash basis financial statements. This item has been posted to the County's basic financial statements as a receivable in the General Purpose Bond Retirement Fund (413) and an interfund payable from the General Fund to the General Purpose Bond Retirement Fund (413). On September 19, 2007, the County paid \$25,000 against the \$500,000 note and refinanced the remaining \$475,000. On September 17, 2008, the County paid \$25,000 against the \$475,000 note and refinanced the remaining \$450,000 into a new note. On September 22, 2009, the County paid an additional payment of \$25,000 and refinanced the remaining \$425,000 into a new note. On September 28, 2010, the County paid another payment of \$25,000 and refinanced the remaining \$400,000 into a new note.

As a result, a Finding for Adjustment is hereby issued against the General Fund in the amount of \$400,000 and in favor of the General Purpose Bond Fund (Fund 413).

We recommend the Scioto County Commissioners not issue bond anticipation notes to finance short term cash shortages. In addition, we also recommend that the bond anticipation notes be monitored to ensure they are used only for the purposes stated in the authorizing legislation.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)

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

FINDING NUMBER 2010-01 (Continued)

**Officials' Response:** The County is in concurrence with this recommendation and is reducing this amount as funds are available.

FINDING NUMBER 2010-02

**Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit**

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Scioto County Commissioners entered into a twenty year lease/purchase agreement for an Energy Conservation Project on the Scioto County Courthouse and Job and Family Services building on March 14, 2006. The percentage breakdown of the project was determined to be 64.53% for the Scioto County Courthouse and 35.47% for the Job and Family Services building. Based on these percentages, the semi-annual lease payments of \$78,303 were to be paid \$50,529 from the General Fund and \$27,774 from the Public Assistance Fund (Fund 218).

During 2007, the County paid \$121,830 of these semi-annual lease payments from the MRDD Capital Projects Fund (Fund 503). The remaining \$34,776 was paid from the correct funds. Based on this, the General Fund and the Public Assistance Fund owe the MRDD Capital Projects Fund \$78,617 (\$121,830 times 64.53%) and \$43,213 (\$121,830 times 35.47%), respectively.

During 2008, the County paid \$78,303 of these semi-annual lease payments from the MRDD Fund (Fund 231) and \$70,987 from the Public Assistance Fund. At December 31, 2008, \$7,316 of the semi-annual lease payments for 2008 remained unpaid but was paid from the General Fund in 2009. Based on this, the General Fund and the Public Assistance Fund owe the MRDD Fund \$50,529 (\$78,303 times 64.53%) and \$27,774 (\$78,303 times 35.47%), respectively. The General Fund also owes the Public Assistance Fund \$43,213 (\$70,987 minus \$27,774).

Due to the financial condition discussed in Note 24 to the basic financial statements, this adjustment has not been posted by the County to its cash basis financial statements. This item has been posted to the County's basic financial statements as an interfund payable in the General Fund and Public Assistance Fund and an interfund receivable in the MRDD Fund (includes both Fund 231 and Fund 503).

As a result, Findings for Adjustment are hereby issued against the following: General Fund in the amount of \$78,617 in favor of the MRDD Capital Projects Fund (Fund 503); General Fund in the amount of \$50,529 in favor of the MRDD Fund (Fund 231); General Fund in the amount of \$43,213 in favor of the Public Assistance Fund (218); Public Assistance Fund in the amount of \$27,774 in favor of the MRDD Capital Projects Fund (Fund 503); and the Public Assistance Fund in the amount of \$27,774 in favor of the MRDD Fund (Fund 231).

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 2010**  
**(Continued)**

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

**FINDING NUMBER 2010-02 (Continued)**

**Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit (Continued)**

We recommend the County make lease payments from the appropriate funds.

**Officials’ Response:** The County is in concurrence with this recommendation and will address the issue when the funds are available to do so. This situation occurred as a result of inaccurate billing by the financial institution servicing the lease.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2010, the County had actual resources below the current level of appropriation in the following fund:

	Actual Resources	Appropriations	Variance
General Fund	\$13,783,515	\$15,394,150	(\$1,610,635)

Since the expenditure of the County funds is based on the estimated resources, instances when the beginning fund balances and actual receipts do not meet budgetary estimates may lead to overspending as evidenced by the negative fund balances noted in the General Fund and Juvenile Detention Fund.

We recommend the County Auditor monitor estimated and actual receipts. If it becomes apparent that the County is not going to receive the amount of estimated resources, the County Auditor should obtain a reduced amended certificate from the County Budget Commission. We further recommend the County Commissioners make corresponding reductions in appropriations.

**Officials’ Response:** The variance between actual resources and appropriations is due to the deficit carryover balance in the General Fund. The County continues its efforts to correct the issues resulting in the deficit fund balance.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)

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

FINDING NUMBER 2010-04

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 provides in part that the total appropriations from each fund shall not exceed the total estimated revenue available there from, as certified by the Budget Commission. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official estimate.

Appropriations exceeded total estimated resources in the following fund at December 31, 2010:

Fund Number	Fund Name	Appropriations	Estimated Resources	Variance
101	General Fund	\$15,394,150	\$13,531,657	(\$1,862,493)

In addition, for 2010 the County Auditor did not file a certificate that total appropriations from each fund did not exceed total estimated resources. This could result in expenditures exceeding total resources.

We recommend the County Auditor monitor total appropriations for each fund to ensure that appropriations from each fund do not exceed the total amount of estimated resources. We further recommend the County Auditor file the required certificate.

**Officials' Response:** The variance between actual resources and appropriations is due to the deficit carryover balance in the General Fund. The County continues its efforts to correct the issues resulting in the deficit fund balance.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS**

<b>Finding Number</b>	2010-05
<b>CFDA Title and Number</b>	Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
<b>Federal Award Number / Year</b>	G-89-20-1143, G-1011-11-5110, G-1011-11-5111
<b>Federal Agency</b>	United States Department of Agriculture, United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

**Noncompliance Citation/Material Weakness/Questioned Cost**

2 C.F.R. Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Department of Job and Family Services). Such leases included, but are not limited to those between divisions of a governmental unit. 2 C.F.R. Part 225 App.B Section 37.b indicates the allowable amounts to be considered had the County Job and Family Services held title to the property include expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 C.F.R. Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in Section 23.b (1) through (4) of the appendix.

Additionally, Ohio Admin. Code Section 5101:9-4-11(A) states, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 C.F.R. Part 225.

The Scioto County Job and Family Services department leases a facility from Scioto County Board of Commissioners. Since both parties are divisions of the same governmental unit, this lease agreement constitutes a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 C.F.R. Part 225, App. B Section 37.c.

During 2010, a total of \$298,138 of rental payments was paid by the Job and Family Services department to the Board of County Commissioners. Maintenance is paid directly by the County Job and Family Services department, and insurance is part of the Cost Allocation Plan. Therefore, maintenance and insurance are not included as part of the rent. The unallowable cost is shown in the schedule below:

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-05 (Continued)
<b>CFDA Title and Number</b>	Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
<b>Federal Award Number / Year</b>	G-89-20-1143, G-1011-11-5110, G-1011-11-5111
<b>Federal Agency</b>	United States Department of Agriculture, United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

**Noncompliance Citation/Material Weakness/Questioned Cost (Continued)**

Acquisition Cost of the Building	\$3,066,869
Expected Useful Life of the Asset	50 Years
Annual Depreciation Calculation:	\$61,338
Annual Interest on Building Bond (2010)	<u>17,513</u>
Total Allowable Rental Cost	\$78,851
Total Rent Paid by Scioto County JFS	<u>\$298,138</u>
Unallowable rental costs (questioned costs)	<u><u>\$219,287</u></u>

The \$219,287 excess cost was allocated through an indirect cost pool to the Job and Family Service departments federally funded programs as noted in the following table. Of the \$219,287 allocated to the individual programs, \$139,474 was funded from Federal dollars and the remaining \$79,813 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-05 (Continued)
<b>CFDA Title and Number</b>	Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
<b>Federal Award Number / Year</b>	G-89-20-1143, G-1011-11-5110, G-1011-11-5111
<b>Federal Agency</b>	United States Department of Agriculture, United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

**Noncompliance Citation/Material Weakness/Questioned Cost (Continued)**

Grant	CFDA #	Total Excess Rent by Program	Excess Rent Funded from Federal Programs Dollars
SNAP	10.561	\$40,028	\$20,439
Medical Assistance Program	93.778	45,564	22,782
TANF	93.558	84,175	84,175
Child Care and Development Fund Cluster	93.575, 93.596	9,728	9,728
Social Services Block Grant	93.667	11,652	2,350
Child Support Enforcement	93.563	28,140	0
<b>Total Unallowable Rental Costs</b>		<b>\$219,287</b>	<b>\$139,474</b>

The excess rent paid with TANF, SNAP, and Medical Assistance Program dollars are in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133 § .510(a)(3).

The Board of County Commissioners should modify the building lease agreement with the County JFS so that the lease amount will not exceed the amount allowed in accordance with applicable requirements.

**Officials' Response:** The architect's original estimated useful life of the building was 20 years. When the County's asset appraisal was completed by an outside company, the building was given a useful life of 50 years, which was inconsistent with the architect's original estimated useful life. The County has since changed the useful life of the building to 20 years in its asset management system, which is consistent with the architect's original estimated useful life and the term of the lease. The final year of the lease is 2011, at which time the bond used to fund the building will be paid off. At that time, the total of the lease payments made over the 20 year lease period will be equal to the depreciation and interest expense on the building for the same 20 year period.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-06
<b>CFDA Title and Number</b>	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program, CFDA #93.714
<b>Federal Award Number / Year</b>	G-1011-11-5110
<b>Federal Agency</b>	United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance Citation/Significant Deficiency/Questioned Cost**

2 C.F.R. 225, Appendix A, Section C (1)(a) indicates that a cost is allowable to a federal program if it is necessary and reasonable for proper and efficient performance and administration of Federal awards. Additionally, section C (3)(a) indicates a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The County Department of Job and Family Services entered into a subrecipient contract with the Community Action Organization (CAO) for fiscal year 2010 TANF Subsidized Summer Employment Program for Youth. The Community Action Organization invoiced the Department of Job and Family Services for the indirect costs associated with the provider's fiscal operations. These costs are accumulated in an accounting pool and allocated to each particular grant/program the subrecipient operates based upon the amount of revenue each grant/program provides. The amount of revenue used for this allocation is the total award or grant amount and is not actually based upon the actual revenues received. The percentage is then applied to the monthly accounting pool charges.

The subgrant agreement with CAO was for \$638,969, which represented 5.15 percent of the subrecipient's total revenues. Therefore, the Department of Job and Family Services was invoiced for, and paid the subrecipient, 5.15 percent of the accounting pool charges for the entirety of the program. However, the subrecipient only received a total of \$313,485 of revenue from the TANF SSEPY. This represents only 2.6 percent of the subrecipient's total revenues. Therefore, it is unreasonable for the agency to have paid the subrecipient 5.15 percent of the accounting pool charges. The application of an indirect cost rate should be related to allowable program costs incurred, or another federally allowable methodology, and not based upon projected revenues. This resulted in estimated unallowable cost of \$6,513.

Further, ODJFS Office of Families and Children (OFC), Family Assistance Letter #93A, Appendix B., "Use of Funds", question #2 discusses the allowability of transportation costs for participants. This guidance indicates that such transportation costs are not allowable under this allocation.

CAO included in its proposal for the program that each participant would be reimbursed for the transportation costs associated with attending a substance abuse prevention and awareness training. Based upon the invoices submitted by CAO for the entire program, it appears the Department of Job and Family Services has reimbursed CAO for these costs, which totaled \$2,547 for the entire program. The agency has utilized TANF SSEPY funds to reimburse CAO for these costs. Based upon the guidance in the ODJFS, OFC Family Assistance Letter, these costs are not allowable to this TANF allocation.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-06 (Continued)
<b>CFDA Title and Number</b>	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program, CFDA #93.714
<b>Federal Award Number / Year</b>	G-1011-11-5110
<b>Federal Agency</b>	United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance Citation/Significant Deficiency/Questioned Cost (Continued)**

The ODJFS, OFC Family Assistance Letter #93A, Appendix B indicates in the Use of Funds section, question #12 indicates that, “costs that are associated with outreach and recruitment activities may be charged against this grant if they occur in May 2010”.

The CAO incurred and invoiced the Department of Job and Family Services for costs related to advertisement during the month of July 2010 which totaled \$413. The Department of Job and Family Services’ subgrant agreement with CAO did not begin until June 2010. Therefore, the advertising costs paid by the subrecipient in July 2010 and reimbursed by the Department of Job and Family Services in August 2010 were not allowable to the TANF SSEPY program.

ODJFSOFC, Family Assistance Letter #93 regarding the TANF Subsidized Summer Employment Program for Youth indicates that costs of health insurance or health benefits may not be charged to this program.

The CAO included the fringe benefit costs which included health insurance for its staff on the monthly invoices. The Department of Job and Family Services has reimbursed CAO for the total amount invoiced each month and recorded these costs in the TANF SSEPY. Therefore, CAO staff health insurance costs have been included in the TANF SSEPY. Documentation provided for the month of July 2010 indicated fringe benefit costs totaled \$2,390.

The unallowable expenditures noted above total \$11,863 which is in excess of \$10,000 and, therefore, considered questioned costs under OMB Circular A133 § .510(a)(3).

We recommend the County Department of Job and Family Services review each of the invoices paid to the subrecipient and determine the total amount paid for accounting pool charges. The agency should reconcile the amounts actually paid to the amounts determined to be reasonable and allowable. Amounts in excess should be recouped from the provider. We further recommend the Department of Job and Family Services implement procedures to ensure that only allowable costs are recorded within each Department of Job and Family Services program. If no other allowable funding sources are available, we recommend the Scioto County Department of Job and Family Services seek repayment from the CAO and appropriately refund the TANF SSEPY for the identified unallowable costs.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-06 (Continued)
<b>CFDA Title and Number</b>	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program, CFDA #93.714
<b>Federal Award Number / Year</b>	G-1011-11-5110
<b>Federal Agency</b>	United States Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Officials' Response:** There were audit exceptions for the Scioto County Summer Youth Program which ran from June 1 through August 31, 2010. As a result, the Scioto County Department of Job and Family Services (SCDJFS) must respond with corrections which included coding changes. Scioto County staff was informed to get direction from our State Fiscal Supervisor, Tracy Gothard, of how to change coding which is tied to the appropriate funding. Since that fiscal year had been closed out, the codes were no longer available. The advice provided to both the SCDJFS and the Ohio Department of Job and Family Services external auditor was to do nothing yet, and wait until we received further instruction.

<b>Finding Number</b>	2010-07
<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA # 11.307
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Commerce
<b>Pass-Through Agency</b>	N/A

**Noncompliance Citation/Material Weakness – Reporting**

13 C.F.R. Seciton 307.14 states that all Revolving Loan Fund (RLF) recipients must complete and submit a semi-annual report (Form ED-209) in electronic formal, unless EDA approves a paper submission. RLF recipients must certify as part of the semi-annual report to the Economic Development Administration (EDA) that the RLF is operating in accordance with the applicable RLF Plan. RLF recipients also must describe any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool. An RLF recipient using either fifty percent or more (or more than \$100,000) of RLF Income for administrative costs in a six month reporting period must submit to EDA a completed Income and Expense Statement (Form ED-209I) for that reporting period in electronic format, unless EDA approves a paper submission. Semi-annual reports are required to be submitted to EDA within thirty days of the end of the period.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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<b>Finding Number</b>	2010-07 (Continued)
<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA # 11.307
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Commerce
<b>Pass-Through Agency</b>	N/A

**Noncompliance Citation/Material Weakness – Reporting (Continued)**

13 C.F.R. Section 307.16(b)(1) states that RLF recipients shall promptly inform EDA in writing of any condition that may adversely affect their ability to meet the prescribed schedule deadlines. RLF recipients must submit a written request to EDA for continued use of grant funds beyond a missed deadline. The RLF recipient must provide good reason for the delay in their extension requests by demonstrating that:

- (i) The delay was unforeseen or beyond the control of the RLF recipient;
- (ii) The financial need for the RLF still exists;
- (iii) The current and planned use and the anticipated benefits of the RLF will remain consistent with the RLF Plan; and
- (iv) The proposal of a revised time schedule is reasonable. An extension request must also provide an explanation as to why no further delays are anticipated.

13 C.F.R. Section 307.16(b)(2) states that EDA is under no obligation to grant a time extension and in the event an extension is denied, EDA may deobligate all or part of the unused grant funds and terminate the grant.

The County did not file the semi-annual report for the period ending March 31, 2010 with EDA until September 30, 2010. This was the first period in which EDA required submission of the semi-annual report online through EDA's Revolving Loan Fund Management System. That semi-annual report required the RLF recipient to input data relating to all EDA grants received by the County as well as all information related to all loans made from those grant monies. The County requested, and received, filing extensions for this report until they were required to file it by EDA. As indicated in the extension requests, the County RLF Manager was unable to obtain accurate historical financial information regarding the EDA grants that were received by the County on September 28, 1978, August 3, 1979 and September 19, 1980 and were subsequently loaned to businesses. The semi-annual report for the period ending March 31, 2010 required the input of RLF Income earned to date which included all interest earned on loans and interest earned on deposit accounts as well as total portion of RLF Income used for administrative expenses since 1979 in order to calculate the RLF Income added to the capital base for lending. Due to flooding at the Courthouse on two separate occasions, a large portion of the County's RLF records had to be destroyed for health reasons. The County's RLF Manager corresponded with EDA on numerous occasions and was instructed to not submit the semi-annual report until they could work together to arrive at accurate financial information to input in the report. When the County was required by EDA, on September 30, 2010, to submit the semi-annual report for the period ending March 31, 2010, an EDA representative had yet to meet with the County's RLF Manager. As a result, the semi-annual report that was filed on September 30, 2010 had incorrect financial information for RLF Income and administrative expenses to date.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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<b>Finding Number</b>	2010-07 (Continued)
<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA # 11.307
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Commerce
<b>Pass-Through Agency</b>	N/A

**Noncompliance Citation/Material Weakness – Reporting (Continued)**

For the above reasons, the County's RLF Manager did not file the semi-annual report for the period ending September 30, 2010. This report was due October 31, 2010. Furthermore, the County did not request a filing extension. This resulted in EDA sending a letter, dated January 6, 2011, to the County wherein EDA informed the County that failure to provide the required RLF report constitutes a serious violation of EDA's regulations and that EDA formally suspended the County's RLF award as of January 6, 2011. As a result of the letter from EDA, the County's RLF Manager requested a filing extension with EDA.

We recommend the County's RLF Manager file a written extension with EDA when it becomes apparent that the County will not be able to file the semi-annual report with EDA within 30 days of the end of the period. We further recommend the County continue its efforts to obtain accurate data regarding the grants and loans for input in the semi-annual report.

**Officials' Response:** In early 2010, the Economic Development Administration (EDA) developed a new reporting system for grantees to use in order to file all semi-annual reports. In the past, the reports were done manually and submitted via regular mail. With the new system, all information is submitted on-line and submitted electronically. In order to start using the new system, Counties with EDA funds had to basically "rebuild" their portfolio online and key in information from the program's inception. Scioto County's first grant from EDA was awarded in 1978. Subsequent grants were awarded in 1979 and 1980. It is impossible to go all the way back to 1978 and totally re-construct each and every loan made to borrowers along with compiling other administrative records that EDA is requesting (i.e. loan amounts, payments made – with amounts broken down between principal and interest, when and if loans were paid back, records of all administrative costs expended, interest earned on deposit accounts, etc.). Due to various issues, Scioto County has not retained 33 years worth of loan records. The RLF office has had numerous water leaks over the years, destroying many of the older RLF records (pictures documenting this water damage are on file at the RLF office). The current RLF Manager has searched repeatedly for old RLF records and has put together as much information as possible; however, it is far from being a complete financial picture of the entire 33 year history of Scioto County's EDA Revolving Loan Fund Program.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-07 (Continued)
<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA # 11.307
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Commerce
<b>Pass-Through Agency</b>	N/A

**Officials' Response: (Continued)**

When EDA announced its intention to implement this new reporting program, the RLF Manager contacted EDA's Chicago Regional Office and advised them of the situation Scioto County is in with regard to its loan records. The regional director advised Scioto County not to submit their semi-annual report at that time due to the fact that the figures would not be correct. The director stated that she wanted Scioto County to start with a "clean slate" that showed our correct and actual account balance. EDA stated that they would work with Scioto County to get to a good "starting point" so that all future semi-annual reports would be accurate. In September, 2010, EDA contacted Scioto County and told us to go ahead and submit the semi-annual report for the period ending March 31, 2011, even though both EDA and Scioto County knew the figures shown were incorrect. The director stated that she just needed "something" submitted from Scioto County. She still stressed that she wanted to work with us to get our figures in line to where all future reports would be correct. She advised Scioto County to not submit any more reports until she had time to work with us. She did not advise Scioto County that we needed to regularly submit official extension requests online for these late reports – just to "hang in there" and not do anything until she contacted us with further instructions and direction on how to proceed. It is for this reason that regular extension requests were not made.

Scioto County works diligently to comply with EDA requests. For over one year we have made numerous requests for EDA assistance to correct reporting problems. The only direction Scioto County was given from EDA was not to submit any semi-annual reports until they could work with us on the figures. Therefore, the reports were not submitted at EDA's request and not because Scioto County has been remiss in its reporting duties. EDA never advised Scioto County that we would need to submit regular extension requests using EDA's online reporting website.

EDA has not established a mutually agreeable "starting" balance for Scioto County Administrative Expenses or any other EDA grant fund. In the most recent 10 year period, EDA has not required that we submit an Income and Expense Statement (Form ED-209I).

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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<b>Finding Number</b>	2010-07 (Continued)
<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA # 11.307
<b>Federal Award Number / Year</b>	N/A
<b>Federal Agency</b>	United States Department of Commerce
<b>Pass-Through Agency</b>	N/A

**Officials' Response: (Continued)**

In reviewing the "Revolving Loan Funds: Requirements Overview" on EDA's website, it states under "Records and Retention Requirements" that:

- "Recipient must maintain closed loan files and all related documents, books of account, computer data files and other records over the term of a closed loan and for a 3-year period following disposition."
- "Recipient must retain records of administrative costs incurred for activities and equipment relating to the operation of the RLF for 3 years from the submission date of the semi-annual report that covers the period that such costs were claimed."

No entity can reconstruct an acceptable 33 year financial history and a 3 year records retention requirement seems to exist. Every year for the past 11 years, State Auditors have reconciled RLF Administrator and County Auditor EDA financial reports. No discrepancies have been identified.

It seems prudent for EDA and the State Auditors to provide the County assistance in establishing a common starting fund balance based on the most current 6 year records that appear to be totally intact. Without such assistance, the County does not know how to proceed.

**Auditor of State's Analysis:** The Auditor of State is not responsible for making management decisions or performing management functions. Under OMB Circular A-133, Subpart C, §\_\_.300, paragraphs (b) and (c), it is the auditee's responsibility to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, it is the auditee's responsibility to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. We recommend the County work diligently with the Economic Development Administration to try to resolve this matter.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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<b>Finding Number</b>	2010-08
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-F-09-1CP-1, B-D-09-1CP-1, B-Z-08-075-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance Citation/Material Weakness – Cash Management**

24 C.F.R. 85.21 subsection (b) indicates grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. As provided in subsection (i), except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

According to the *State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f)*, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted.

The following funds were drawn down but were not disbursed to a balance of less than \$5,000 within fifteen days of receipt:

**From Grant B-F-09-1CP-1:**

A cash draw was requested on January 19, 2010 for \$20,000 and the date of the first expenditure was not made until May 25, 2010, leaving \$20,000 not disbursed within fifteen days.

A cash draw was requested on April 13, 2010 for \$10,000 and the date of the first expenditure was not made until May 25, 2010, leaving \$10,000 not disbursed within fifteen days.

A cash draw was requested on May 5, 2010 for \$5,000 and the date of the first expenditure was not made until May 25, 2010, leaving \$5,000 not disbursed within fifteen days.

A cash draw was requested on June 3, 2010 for \$180,000 and the date of the first expenditure was not made until July 20, 2010, leaving \$180,000 not disbursed within fifteen days.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-08 (Continued)
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-F-09-1CP-1, B-D-09-1CP-1, B-Z-08-075-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance Citation/Material Weakness – Cash Management (Continued)**

**From Grant B-D-09-1CP-1:**

A cash draw was requested on February 3, 2010 for \$5,000 and the date of the first expenditure was not made until March 10, 2010, leaving \$5,000 not disbursed within fifteen days.

A cash draw was requested on June 3, 2010 for \$94,500 and the date of the first expenditure was not made until August 26, 2010, leaving \$94,500 not disbursed within fifteen days.

**From Grant B-Z-08-075-1:**

A cash draw was requested on February 8, 2010 for \$12,250 and disbursements within the fifteen day period totaled \$2,000 made on February 18, 2010, leaving \$10,250 not disbursed within fifteen days.

A cash draw was requested on April 19, 2010 for \$11,400 and the date of the first expenditure was not made until June 15, 2010, leaving \$11,400 not disbursed within fifteen days.

A cash draw was requested on June 17, 2010 for \$12,300 and the date of the first expenditure was not made until August 19, 2010, leaving \$12,300 not disbursements within fifteen days.

A cash draw was requested on August 6, 2010 for \$87,300 and disbursements within the fifteen day period totaled \$7,100 made on August 19, 2010, leaving \$80,200 not disbursed within fifteen days.

A cash draw was requested on September 6, 2010 for \$5,349 and the date of the first expenditure was not made until September 29, 2010, leaving \$5,349 not disbursed within fifteen days.

We recommend Scioto County develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend that documentation be maintained with each draw down request to support the amounts required.

**Officials' Response:** The County understands and always attempts to comply with the regulation but, due to the manner funds are drawn down from the Ohio Department of Development, it is often not possible to comply.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)**

<b>Finding Number</b>	2010-09
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-F-09-1CP-1, B-D-09-1CP-1, B-Z-08-075-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Material Weakness – Reporting**

Testing of the Federal Schedule and Community Development Block Grant revealed discrepancies in the beginning and ending balances for the revolving loan fund. The County Auditor's records revolving loan activity in Fund 211, and Kendra Hobson, Revolving Loan Manager, at the revolving loan department records activity separately using a Semi-Annual report that reflects beginning balance, receipts, disbursements, and ending balance for a six month period. The inaccuracies in reported balances between the County Auditor and the RLF Semi-Annual Reports could lead to decreased federal funding.

The following reflects the discrepancies reported during 2010 between the County Auditor and the RLF Semi-Annual Reports:

	County Auditor's Office	RLF Semi- Annual Reports	Variance
January 1, 2010 Balance	\$145,491	\$268,609	\$123,118
Receipts	9,984	9,984	0
Disbursements	6,397	1,993	(4,404)
December 31, 2010 Balance	\$149,078	\$276,600	\$127,522

We recommend Kendra Hobson, Revolving Loan Manager, and the Auditor's Office at Scioto County correspond to review the discrepancies in reporting that have resulted in the account balance variances noted above for the Revolving Loan Fund and make the necessary adjustments to accurately report the Revolving Loan Fund balances at both departments.

**Officials' Response:** It is impossible to go all the way back to this grant's inception and totally reconstruct each and every loan made to borrowers along with compiling other administrative records that HUD would require (i.e. loan amounts, payments made – with amounts broken down between principal and interest, when and if loans were paid back, records of all administrative costs expended, interest earned on deposit accounts, etc.). Due to various issues, Scioto County has not retained multiple years worth of loan records. The RLF office has had numerous water leaks over the years, destroying many of the older RLF records (pictures documenting this water damage are on file at the RLF office). The current RLF Manager has searched repeatedly for old RLF records and has put together as much information as possible; however, it is far from being a complete financial picture of the entire history of Scioto County's HUD (CDBG) Revolving Loan Fund Program.

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2010  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS (Continued)</b>
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<b>Finding Number</b>	2010-09 (Continued)
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-F-09-1CP-1, B-D-09-1CP-1, B-Z-08-075-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Officials' Response: (Continued)**

Every year for the past 11 years, State Auditors have reconciled RLF Administrator and County Auditor HUD financial reports. No discrepancies have been identified.

**Auditor of State's Analysis:** The Auditor of State is not responsible for making management decisions or performing management functions. Under OMB Circular A-133, Subpart C, §\_\_.300, paragraphs (b) and (c), it is the auditee's responsibility to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, it is the auditee's responsibility to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. We recommend the RLF Manager and the County Auditor's Office review the discrepancies in reporting that have resulted in the account balance variances noted above for the Revolving Loan Fund and make the necessary adjustments to accurately report the Revolving Loan Fund balances at both departments.

**SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-01	A Finding for Adjustment was issued under Ohio Rev. Code Section 133.22(A)(1)(a) for using capital improvement bond anticipation note proceeds for short term expenses.	No	Not Corrected. Reissued as Finding Number 2010-01.
2009-02	A citation was issued under Ohio Rev. Code Section 5705.10(H) for making lease payments from incorrect funds	No	Not Corrected. Reissued as Finding Number 2010-02.
2009-03	A citation was issued under Ohio Rev. Code Section 5705.10(H) for negative fund balances at year end.	No	Not Corrected. However, this was not reissued since the County is in fiscal emergency.
2009-04	A citation was issued under Ohio Rev. Code Section 5705.36(A)(4) for not obtaining a reduced amended certificate of estimated resources and not reducing appropriations when budgeted revenues greatly exceeded actual revenues.	No	Partially Corrected. Reissued as Finding Number 2010-03.
2009-05	A citation was issued under Ohio Rev. Code Section 5705.39	No	Partially Corrected. Reissued as Finding Number 2010-04.
2009-06	Noncompliance/questioned cost regarding rental cots allocated through the indirect cost pool to the Job and Family Services departments' federally funded programs in excess of the allowable rental costs.	No	Not Corrected. Reissued as Finding Number 2010-05.
2009-07	Noncompliance with Federal Fifteen Day Rule requirement for prompt disbursement of Community Development Block Grant funds.	No	Not Corrected. Reissued as Finding Number 2010-08.

**SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
DECEMBER 31, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	The County is reducing the amount due as funds are available.	Unknown	Tom Reiser, County Commissioner
2010-02	The County will address the issue when funds are available to do so.	Unknown	Tom Reiser, County Commissioner
2010-03	The variance between actual resources and appropriations is due to the deficit carryover balance in the General Fund. The County continues its efforts to correct the issues resulting in the deficit fund balance.	Unknown	David Green, County Auditor
2010-04	The variance between actual resources and appropriations is due to the deficit carryover balance in the General Fund. The County continues its efforts to correct the issues resulting in the deficit fund balance.	Unknown	David Green, County Auditor
2010-05	The architect's original estimated useful life of the building was 20 years. When the County's asset appraisal was completed by an outside company, the building was given a useful life of 50 years, which was inconsistent with the architect's original estimated useful life. The County has since changed the useful life of the building to 20 years in its asset management system, which is consistent with the architect's original estimated useful life and the term of the lease. The final year of the lease is 2011, at which time the bond used to fund the building will be paid off. At that time, the total of the lease payments made over the 20 year lease period will be equal to the depreciation and interest expense on the building for the same 20 year period.	12/31/11	David Green, County Auditor
2010-06	There were audit exceptions for the Scioto County Summer Youth Program which ran from June 1 through August 31, 2010. As a result, the Scioto County Department of Job and Family Services (SCDJFS) must respond with corrections which included coding changes. Scioto County staff was informed to get direction from our State Fiscal Supervisor, Tracy Gothard, of how to change coding which is tied to the appropriate funding. Since that fiscal year had been closed out, the codes were no longer available. The advice provided to both the SCDJFS and the Ohio Department of Job and Family Services external auditor was to do nothing yet, and wait until we received further instruction.	12/31/11	Paige Robbins, Scioto County Department of Job and Family Services Director

**SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
DECEMBER 31, 2010  
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-07	The County is working diligently with the Economic Development Administration to try to resolve this matter.	12/31/11	Steve Wells, Economic Development Director
2010-08	The County understands and always attempts to comply with the regulation but, due to the manner funds are drawn down from the Ohio Department of Development, it is often not possible to comply.	12/31/11	Tom Reiser, County Commissioner
2010-09	It is impossible to go all the way back to this grant's inception and totally re-construct each and every loan made to borrowers along with compiling other administrative records that HUD would require (i.e. loan amounts, payments made – with amounts broken down between principal and interest, when and if loans were paid back, records of all administrative costs expended, interest earned on deposit accounts, etc.). Due to various issues, Scioto County has not retained multiple years worth of loan records. The RLF office has had numerous water leaks over the years, destroying many of the older RLF records (pictures documenting this water damage are on file at the RLF office). The current RLF Manager has searched repeatedly for old RLF records and has put together as much information as possible; however, it is far from being a complete financial picture of the entire history of Scioto County's HUD (CDBG) Revolving Loan Fund Program. Every year for the past 11 years, State Auditors have reconciled RLF Administrator and County Auditor HUD financial reports. No discrepancies have been identified.	12/31/11	Steve Wells, Economic Development Director

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# Dave Yost • Auditor of State

## SCIOTO COUNTY FINANCIAL CONDITION

### SCIOTO 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  
SEPTEMBER 6, 2011