

Financial Condition  
Scioto County  
Single Audit  
For the Year Ended December 31, 2012



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# Dave Yost • Auditor of State

Board of Commissioners  
Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditors' Report* of the Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## 1. FINDING FOR RECOVERY

**Ohio Rev. Code Section 2921.41(A) and (B)** prohibit committing any theft offense when the offender uses the offender's office in the aid of committing the offense and the property or service involved is owned by the state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. Whoever violates this section is guilty of theft in office.

In April 2013, the Scioto County Auditor's Office (SCAO) was informed of some potential unauthorized purchases made on the Scioto County Revolving Loan departments Staples credit card account by the Revolving Loan Manager, Kendra Hobson. The SCAO determined that the Staples account had been closed in January 2013 and as of April 15, 2013 the account had an outstanding balance of \$9,991.

The SCAO obtained invoices from Staples for charges made to the credit card account for the period of January 2006 to November 2012 and performed an internal review of the purchases made by Ms. Hobson. For the period, the SCAO determined that Ms. Hobson had made numerous unauthorized purchases totaling \$15,288 to the Staples credit card account and did not submit the invoices to the SCAO for payment. In addition, some of the items purchased were delivered to the personal residence of Ms. Hobson. The AOS confirmed that these purchases were not for a purpose related to the operations of the Revolving Loan department.

These purchases consisted of the following type of expenses but were not limited to:

- Gift cards (VISA, Mastercard, Starbucks, Olive Garden, Subway);
- Food, candy, and beverages;
- Cleaning products and air fresheners;
- Coffeemaker and coffee;
- Vacuum;
- Bookcase;
- Watches;
- MP3 player.

During the internal review performed by the SCAO they determined that there were duplicate payments made by the County for valid invoices submitted by Ms. Hobson totaling \$2,024 and numerous items paid for by the County were returned to Staples by Ms. Hobson without the knowledge of the SCAO totaling \$3,273 which reduced the outstanding balance owed to Staples by the County for the unauthorized purchases made by Ms. Hobson to \$9,991.

On June 21, 2013, a law office representing Ms. Hobson issued a payment to Staples totaling \$9,574 to be applied to the account of the Scioto County Revolving Loan Fund.

In addition, to the items noted above the AOS reviewed the invoices the SCAO obtained from Staples and determined the following issues:

- In April 2006, Ms. Hobson enrolled into a Staples Rewards program using the Revolving Loan department's account. Ms. Hobson received coupons via e-mail from Staples that could be used against purchases made by the department.

From 2009 to 2012, we determined that Ms. Hobson used 19 coupons totaling \$431 to purchase items that were determined to be unauthorized and not for a purpose related to the operations of the department.

- During the period of January 2006 to November 2012, we determined that Ms. Hobson made numerous purchases with the Staples credit card totaling \$3,379 for items the AOS determined to not be for a purpose related to the operations of the department. The invoices associated with these purchases were submitted by Ms. Hobson to the SCAO and were paid by the County.

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These items included but were not limited to the following:

- Cleaning products and air fresheners;
  - Plastic cutlery and cups;
  - 4 piece his and hers travel set;
  - Coffeemaker (AOS confirmed item was not located at the County);
  - Microwave (AOS confirmed item was not located at the County);
  - Premium photo paper and photo albums;
  - CDs.
- During the period of January 2006 to November 2012, we determined that Ms. Hobson purchased an excessive amount of ink cartridges totaling \$10,369. The AOS discussed these purchases with the Economic Development department and determined that these purchases were unwarranted and not for a purpose related to the operations of the department.
  - Per discussions with Staples it was determined that they routinely offer promotional deals to customers that spend a certain dollar amount online or by phone. During the period of January 2006 to November 2012, we identified 51 items with a value totaling \$1,737 that were received by Ms. Hobson for purchases made on the Revolving Loan departments account. These items included but were not limited to the following:
    - MP3 players,
    - Emergency car care kits;
    - Trunk organizers;
    - Cooler with BBQ tools;
    - Travel bag sets and luggage;
    - Wine and bar serving set;
    - 9 piece spa set;
    - 29 piece tool kit.

The AOS verified with the County Economic Development department that these items were not located at the County.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against former Revolving Loan Manager, Kendra Hobson, in the amount of \$31,204. As of the date of this report, Kendra Hobson has issued a payment for \$9,574 directly to Staples for the outstanding balance owed to them by the County. Therefore, a balance of \$21,630 remains unpaid in favor of Scioto County Fund 208 – UDAG in the amount of \$6,122, Fund 209 – Revolving Loan in the amount of \$8,165, Fund 211 – HUD in the amount of \$4,279 and Fund 101 – General Fund in the amount of \$3,064.

## **2. FINDING FOR RECOVERY**

**Ohio Rev. Code Section 2921.41(A) and (B)** prohibit committing any theft offense when the offender uses the offender's office in the aid of committing the offense and the property or service involved is owned by the state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. Whoever violates this section is guilty of theft in office.

During the period of December 1, 2011 through March 31, 2013, we identified 31 unauthorized payments issued to Sandra Perkins by Star Inc. totaling \$14,123 that were endorsed by Sandra Perkins. Sandra Perkins was employed by the Scioto County Board of Developmental Disabilities as a fiscal clerk for Star, Inc. and had access to issuing checks for them during the period. On May 24, 2013, Ms. Perkins issued a cashier's check to Star Inc. totaling \$1,474 to pay back an unauthorized check issued to her.

In addition, we identified one transaction made by the fiscal clerk using a Star Inc.'s credit card assigned to Sandra Perkins totaling \$273 to pay for fees in relation to her personal vehicle being repossessed and five transactions totaling \$2,369 to pay for utilities on a residential account not associated with Star Inc. which we considered not to be for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against former fiscal clerk, Sandra Perkins, in the amount of \$16,765 and in favor of Star, Inc. As of the date of this report, Sandra Perkins has issued a payment to Star Inc. totaling \$1,474. A balance of \$15,291 remains unpaid.

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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Scioto County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost  
Auditor of State

September 10, 2014

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**Scioto County Financial Condition**  
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*For the Year Ended December 31, 2012*

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**Independent Auditor's Report**

Board of Commissioners  
Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

**Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Public Assistance Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and Children Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2012, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

As discussed in Note 26 to the financial statements, on August 19, 2009, the Auditor of State determine a fiscal emergency existed at the County and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Revised Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We did not modify our opinion regarding these matters.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

October 29, 2013

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
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, 2012.

**FINANCIAL HIGHLIGHTS**

The County's total net position increased \$4,722,104 during 2012. Net position of governmental activities increased \$3,531,416. Net position of the business-type activity increased \$1,190,688.

General revenues of governmental activities accounted for \$20,381,647. The County also had a \$413,766 special item resulting from the sale of land. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$30,857,590.

The Sewer Enterprise Fund reflected operating income of \$809,655.

The County had \$48,121,587 in expenses related to governmental activities; \$30,857,590 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily grants and entitlements, property taxes and sales taxes) of \$20,381,647 were more than adequate to provide for these programs. The County had \$2,953,577 in expenses related to its business-type activity; all of which were offset by program specific charges for services and sales along with operating and capital grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position 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. 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 Position and the Statement of Activities*

The analysis of the County as a whole begins with the Statement of Net Position and the Statement of Activities. These statements provide information that will help the reader to determine if Scioto 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 position and changes to net position. 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, 2012  
Unaudited

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In the Statement of Net Position 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 Position 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 9. 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 Position 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.

## **THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Position looks at the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to 2011.

**SCIOTO COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2012**  
**Unaudited**

Table 1  
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and						
Other Assets	\$35,458,365	\$34,603,262	\$4,263,973	\$3,206,133	\$39,722,338	\$37,809,395
Investment in						
Joint Venture	151,583	215,780	0	0	151,583	215,780
Capital Assets,						
Net of Depreciation	83,996,762	83,836,859	18,432,126	17,974,224	102,428,888	101,811,083
Total Assets	<u>119,606,710</u>	<u>118,655,901</u>	<u>22,696,099</u>	<u>21,180,357</u>	<u>142,302,809</u>	<u>139,836,258</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>56,580</u>	<u>67,897</u>	<u>56,580</u>	<u>67,897</u>
<b>Liabilities</b>						
Current and Other Liabilities	2,138,525	3,481,007	239,239	296,282	2,377,764	3,777,289
Long-Term Liabilities:						
Due Within						
One Year	2,183,360	2,097,336	414,072	380,894	2,597,432	2,478,230
Due in More Than One Year	10,356,863	11,283,495	8,052,098	7,578,702	18,408,961	18,862,197
Total Liabilities	<u>14,678,748</u>	<u>16,861,838</u>	<u>8,705,409</u>	<u>8,255,878</u>	<u>23,384,157</u>	<u>25,117,716</u>
Deferred Inflows of Resources	<u>6,076,535</u>	<u>6,474,052</u>	<u>0</u>	<u>0</u>	<u>6,076,535</u>	<u>6,474,052</u>
<b>Net Position</b>						
Net Investment in Capital Assets	75,147,783	73,288,791	10,001,921	9,983,652	85,149,704	83,272,443
Restricted for:						
Debt Service	264,164	260,320	0	0	264,164	260,320
Capital Projects	17,612	1,045,530	0	0	17,612	1,045,530
Other Purposes	19,678,962	19,574,594	0	0	19,678,962	19,574,594
Unrestricted	<u>3,742,906</u>	<u>1,150,776</u>	<u>4,045,349</u>	<u>2,872,930</u>	<u>7,788,255</u>	<u>4,023,706</u>
Total Net Position	<u>\$98,851,427</u>	<u>\$95,320,011</u>	<u>\$14,047,270</u>	<u>\$12,856,582</u>	<u>\$112,898,697</u>	<u>\$108,176,593</u>

Current and other assets of the County's governmental activities increased \$855,103. The increase was mainly due to an increase of \$3,886,562 in cash and cash equivalents but was offset by a significant decrease in due from other governments of \$3,239,137. The increase in cash and cash equivalents was primarily related to an increase in collections for sales tax, an increase in charges for services related to the seizure of assets in criminal cases, the County receiving their share of casino monies for the first time during 2012, and the County receiving proceeds from the sale of land.

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The decrease in due from other governments was primarily due to the County receiving grants during 2011 for infrastructure projects in which the grant was awarded during 2011, however a large portion of the cash was not received until 2012. Capital assets, net of depreciation increased \$159,903 primarily due to the addition of various infrastructure assets in excess of current year deletions and depreciation.

Total liabilities of the County's governmental activities decreased \$2,183,090. The decrease in long-term liabilities was due to the debt service payments on the general obligation bonds. Current liabilities also decreased significantly, mostly associated with a large decrease in contracts payable. This decrease stems from engineering infrastructure projects that were started during 2011 but were not completed and paid until 2012.

There was an increase in net investment in capital assets for governmental activities of \$1,858,992 primarily due to the addition of various infrastructure assets and the retirement of debt related to capital assets. Total governmental activities net position increased \$3,531,416 due to revenues exceeding non-capitalized expenses along with the sale of land that occurred during 2012.

There was an increase in net investment in capital assets for business-type activity of \$18,269, which is insignificant.

The net position of the County's business-type activity increased \$1,190,688 due to revenues exceeding non-capitalized expenses along with receiving capital grants associated with the Eden Park Sewer Project.

Table 2 shows the changes in net position for the years ended December 31, 2012, and 2011.

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$7,304,137	\$7,249,948	\$3,376,931	\$3,389,237	\$10,681,068	\$10,639,185
Operating Grants and Contributions	22,153,926	23,434,636	8,564	0	22,162,490	23,434,636
Capital Grants and Contributions	1,399,527	2,264,345	757,452	68,258	2,156,979	2,332,603
Total Program Revenues	<u>30,857,590</u>	<u>32,948,929</u>	<u>4,142,947</u>	<u>3,457,495</u>	<u>35,000,537</u>	<u>36,406,424</u>
General Revenues:						
Property Taxes	6,147,110	5,944,162	0	0	6,147,110	5,944,162
Other Local Taxes	355,016	357,079	0	0	355,016	357,079
Sales Tax	10,985,145	10,397,969	0	0	10,985,145	10,397,969
Revenue in Lieu of Taxes	240	20,974	0	0	240	20,974
Grants and Entitlements not Restricted to Specific Programs	1,661,814	1,353,462	0	0	1,661,814	1,353,462
Interest	5,974	7,377	0	0	5,974	7,377
Miscellaneous	1,226,348	1,115,117	1,318	1,969	1,227,666	1,117,086
Total General Revenues	<u>20,381,647</u>	<u>19,196,140</u>	<u>1,318</u>	<u>1,969</u>	<u>20,382,965</u>	<u>19,198,109</u>
Total Revenues	<u>\$51,239,237</u>	<u>\$52,145,069</u>	<u>\$4,144,265</u>	<u>\$3,459,464</u>	<u>\$55,383,502</u>	<u>\$55,604,533</u>

(Continued)

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

Table 2  
Changes in Net Position  
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	\$7,646,400	\$7,749,738	\$0	\$0	\$7,646,400	\$7,749,738
Judicial	2,647,964	2,514,758	0	0	2,647,964	2,514,758
Public Safety:						
Sheriff	5,475,830	5,356,439	0	0	5,475,830	5,356,439
Other	2,371,451	2,013,306	0	0	2,371,451	2,013,306
Public Works	4,690,928	5,704,498	0	0	4,690,928	5,704,498
Health	10,776,741	10,362,796	0	0	10,776,741	10,362,796
Human Services	11,028,895	11,528,960	0	0	11,028,895	11,528,960
Conservation and Recreation	549,188	421,404	0	0	549,188	421,404
Economic Development and Assistance	1,283,266	1,465,690	0	0	1,283,266	1,465,690
Transportation	848,780	812,041	0	0	848,780	812,041
Interest and Fiscal Charges	802,144	697,128	0	0	802,144	697,128
Sewer	0	0	2,953,577	3,016,575	2,953,577	3,016,575
<b>Total Expenses</b>	<b>48,121,587</b>	<b>48,626,758</b>	<b>2,953,577</b>	<b>3,016,575</b>	<b>51,075,164</b>	<b>51,643,333</b>
Increase in Net Position						
Before Special Item	3,117,650	3,518,311	1,190,688	442,889	4,308,338	3,961,200
Special Item	413,766	0	0	0	413,766	0
<b>Increase in Net Position</b>	<b>3,531,416</b>	<b>3,518,311</b>	<b>1,190,688</b>	<b>442,889</b>	<b>4,722,104</b>	<b>3,961,200</b>
Net Position at Beginning of Year - Restated	95,320,011	91,801,700	12,856,582	12,413,693	108,176,593	104,215,393
<b>Net Position at End of Year</b>	<b>\$98,851,427</b>	<b>\$95,320,011</b>	<b>\$14,047,270</b>	<b>\$12,856,582</b>	<b>\$112,898,697</b>	<b>\$108,176,593</b>

**Governmental Activities**

The County's direct charges to users of governmental services are \$7,304,137 of total governmental revenues for 2012. 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 increased \$54,189, which is insignificant.

Operating grants and contributions 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. The decrease is primarily due to the County receiving grant monies during 2011 to help cover economic development costs associated with the building of the Inframetals facility, which will be located in the County. Capital grants and contributions also decreased significantly mostly due to engineering projects in which grant revenue was recognized during 2011, however the projects were not completed and cash was not received until 2012.

Sales tax collected by the County comprised \$10,985,145 of total governmental revenues for 2012, which was an increase of \$587,176 from 2011. Proceeds of the permissive sales tax are credited to the General Fund.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

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Public works expenses decreased \$1,013,570 compared to 2011 due to repairs to roads from the March 2011 flooding which were not capitalized. Health programs (including the Board of Developmental Disabilities) made up \$10,776,741 of total expenses and increased \$413,945 compared to 2011. This increase was primarily due to increased services and an increase in health insurance costs. Human services (including public assistance and children services) programs accounted for \$11,028,895 of total expenses for governmental activities. Human services expenses decreased \$500,065 in 2012 due to reductions in services being offered.

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 position for business-type activity increased \$1,190,688 during 2012. Revenues outpaced expenses along with the County receiving grant monies associated with the Eden Park Sewer Project.

**THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$52,108,060 and expenditures of \$48,984,375.

The General Fund balance increased \$2,434,288 in 2012. This was due to revenues exceeding expenses, an increase in sale tax revenues, the County receiving casino monies for the first time during 2012, and the one-time sale of land, which is reported as a special item.

The Public Assistance Fund balance increased \$425,734, which was due to an increase funding received from both federal and State sources along with the monitoring of expenditures and reducing services offered in order to keep expenditures from exceeding revenues.

The Motor Vehicle Gas Tax Fund balance increased \$576,848. This resulted from the County monitoring expenditures compared to revenues along with the starting of infrastructure projects in 2011 that were completed during 2012.

The Board of Developmental Disabilities Fund balance decreased \$775,136 in 2012 due to increased expenditures primarily related to an increase in services and an increase in health insurance costs.

The Children Services Fund expenditures exceeded revenues by \$39,294, which is insignificant.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
Unaudited

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The Sewer Fund reflects operating income of \$809,655 for 2012. 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 decreased \$12,306, which is insignificant. Operating expenses decreased \$90,124 mainly due to a decrease in non-capitalized contractual services.

***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 2012, 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 tax, intergovernmental revenue, and Miscellaneous. Sales tax and Intergovernmental was the result of conservative estimates due to the uncertainty surrounding sales tax collections and local government monies. Miscellaneous Revenues increased substantially due to monies received by the County from the sale of land. There were increases in actual revenue from final estimated revenue in almost all revenue accounts but the most significant was in sales tax revenue which was due to conservative estimates.

Total variance from original budget expenditure amounts to the final budget expenditure amounts increased mostly due to additional expected personnel costs along with increases in the County's insurances. The variance from final budget expenditure amounts to actual amounts decreased in several expenditures with the largest in legislative and executive. This decrease was due to carefully monitoring both revenues and expenditures in order to stay within budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The additions to depreciable assets of \$3,812,201 in the governmental activities were the result of the County adding land improvements, buildings and improvements, equipment, vehicles, and infrastructure assets during 2012.

The additions to depreciable assets of \$253,038 in the business-type activity were the result of purchasing small equipment, a truck, and infrastructure additions associated with the West Portsmouth UV, Eden Park, and the Minford Sewer Line Extension projects. In addition, there was \$839,488 in additions for construction in progress. See Note 10 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, 2012  
Unaudited

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***Debt***

At December 31, 2012, Scioto County had \$10,772,845 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 2012 for governmental activities. However, there were several capital leases for copiers that were entered into during 2012. The amount of long-term debt in the business-type activity was \$8,404,359 which consisted of bond issues, loans through the Ohio Public Works Commission (OPWC), the Ohio Water Development Authority (OWDA), and the United States Department of Agriculture (USDA). During 2012, there were new loans issued through the OPWC and the USDA as well as receiving additional loan proceeds on prior year OWDA loans. The County's long-term obligations also included compensated absences for governmental and business-type activities, as well as a liability for the Ohio Bureau of Workers' Compensation Retrospective Rating Program.

At December 31, 2012, the County had short-term debt in the amount of \$487,000 in bond anticipation notes.

See Notes 15, 16 and 17 of the notes to the basic financial statements for more detailed information.

**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.

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**SCIOTO COUNTY, OHIO**  
Statement of Net Position  
December 31, 2012

	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	\$17,179,184	\$1,463,208	\$18,642,392	\$102,495	\$134,883
Cash and Cash Equivalents in Segregated Accounts	99,055	229,465	328,520	0	0
Cash and Cash Equivalents with Escrow Agent	17,612	0	17,612	0	0
Cash and Cash Equivalents with Trustee	265,601	0	265,601	0	0
Materials and Supplies Inventory	290,115	4,737	294,852	4,798	0
Accounts Receivable	49,259	2,003,619	2,052,878	46,858	3,146
Prepaid Items	393,181	7,885	401,066	0	326
Sales Tax Receivable	2,850,964	0	2,850,964	0	0
Property Taxes Receivable	7,438,170	0	7,438,170	0	0
Revenue in Lieu of Taxes Receivable	19,800	0	19,800	0	0
Due from Other Governments	6,365,896	509,316	6,875,212	0	0
Loans Receivable	489,528	45,743	535,271	0	0
Investment in Joint Venture	151,583	0	151,583	0	0
Capital Assets:					
Land and Construction in Progress	1,573,594	3,059,482	4,633,076	0	387,173
Depreciable Capital Assets, Net	82,423,168	15,372,644	97,795,812	71,141	1,842,916
<b>Total Assets</b>	<b>119,606,710</b>	<b>22,696,099</b>	<b>142,302,809</b>	<b>225,292</b>	<b>2,368,444</b>
<b><u>Deferred Outflows Of Resources</u></b>					
Deferred Charge On Refunding	0	56,580	56,580	0	0
<b><u>Liabilities:</u></b>					
Accounts Payable	500,687	63,065	563,752	11,832	2,538
Contracts Payable	28,903	25,846	54,749	0	0
Accrued Wages Payable	207,074	2,544	209,618	49,421	0
Due to Other Governments	657,502	31,654	689,156	0	0
Accrued Interest Payable	44,721	108,906	153,627	0	0
Matured Compensated Absences Payable	133,224	0	133,224	0	0
Compensatory Time Payable	60,542	7,224	67,766	0	0
Retainage Payable	18,872	0	18,872	0	0
Notes Payable	487,000	0	487,000	0	0
Long-Term Liabilities:					
Due Within One Year	2,183,360	414,072	2,597,432	0	0
Due in More Than One Year	10,356,863	8,052,098	18,408,961	0	0
<b>Total Liabilities</b>	<b>14,678,748</b>	<b>8,705,409</b>	<b>23,384,157</b>	<b>61,253</b>	<b>2,538</b>
<b><u>Deferred Inflows Of Resources</u></b>					
Property Taxes	6,056,735	0	6,056,735	0	0
Revenue In Lieu Of Taxes	19,800	0	19,800	0	0
<b>Total Deferred Inflows Of Resources</b>	<b>6,076,535</b>	<b>0</b>	<b>6,076,535</b>	<b>0</b>	<b>0</b>
<b><u>Net Position:</u></b>					
Net Investment in Capital Assets	75,147,783	10,001,921	85,149,704	71,141	2,230,089
Restricted for:					
Debt Service	264,164	0	264,164	0	0
Capital Projects	17,612	0	17,612	0	0
Public Safety	2,903,081	0	2,903,081	0	0
Human Services	4,823,393	0	4,823,393	0	0
Public Works	4,283,302	0	4,283,302	0	0
Health	5,113,634	0	5,113,634	0	0
Community and Economic Development	755,742	0	755,742	0	0
Transportation	40,573	0	40,573	0	0
Judicial	417,066	0	417,066	0	0
Other Purposes	1,342,171	0	1,342,171	0	0
Unrestricted	3,742,906	4,045,349	7,788,255	92,898	135,817
<b>Total Net Position</b>	<b>\$98,851,427</b>	<b>\$14,047,270</b>	<b>\$112,898,697</b>	<b>\$164,039</b>	<b>\$2,365,906</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2012

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>Governmental Activities:</u></b>				
General Government:				
Legislative and Executive	\$7,646,400	\$1,894,371	\$2,699	\$0
Judicial	2,647,964	1,188,161	856,079	0
Public Safety:				
Sheriff	5,475,830	2,968,446	255,133	0
Other	2,371,451	404,428	929,805	0
Public Works	4,690,928	234,018	5,110,156	1,399,527
Health	10,776,741	121,131	5,085,696	0
Human Services	11,028,895	210,533	9,303,506	0
Conservation and Recreation	549,188	7,193	0	0
Economic Development and Assistance	1,283,266	46,965	164,797	0
Transportation	848,780	228,891	446,055	0
Interest and Fiscal Charges	802,144	0	0	0
<i>Total Governmental Activities</i>	48,121,587	7,304,137	22,153,926	1,399,527
<b><u>Business-Type Activity:</u></b>				
Sewer	2,953,577	3,376,931	8,564	757,452
<i>Total Primary Government</i>	\$51,075,164	\$10,681,068	\$22,162,490	\$2,156,979
<b><u>Component Units:</u></b>				
STAR, Inc.	\$1,381,970	\$852,431	\$369,914	\$0
Scioto County Airport Authority	185,797	114,273	0	33,784
<i>Total Component Unit Activities</i>	\$1,567,767	\$966,704	\$369,914	\$33,784
<b><u>General Revenues:</u></b>				
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				
<i>Total General Revenues</i>				
Special Item - Land Sale				
<i>Total General Revenues and Special Item</i>				
Change in Net Position				
<i>Net Position at Beginning of Year</i>				
<i>Net Position at End of Year</i>				

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority	
(\$5,749,330)	\$0	(\$5,749,330)	\$0	\$0	\$0
(603,724)	0	(603,724)	0	0	0
(2,252,251)	0	(2,252,251)	0	0	0
(1,037,218)	0	(1,037,218)	0	0	0
2,052,773	0	2,052,773	0	0	0
(5,569,914)	0	(5,569,914)	0	0	0
(1,514,856)	0	(1,514,856)	0	0	0
(541,995)	0	(541,995)	0	0	0
(1,071,504)	0	(1,071,504)	0	0	0
(173,834)	0	(173,834)	0	0	0
(802,144)	0	(802,144)	0	0	0
(17,263,997)	0	(17,263,997)	0	0	0
0	1,189,370	1,189,370	0	0	0
(17,263,997)	1,189,370	(16,074,627)	0	0	0
0	0	0	(159,625)	0	0
0	0	0	0	(37,740)	(37,740)
0	0	0	(159,625)	(37,740)	(37,740)
1,735,474	0	1,735,474	0	0	0
3,564,504	0	3,564,504	0	0	0
753,889	0	753,889	0	0	0
93,243	0	93,243	0	0	0
355,016	0	355,016	0	0	0
10,985,145	0	10,985,145	0	0	0
240	0	240	0	0	0
1,661,814	0	1,661,814	0	0	0
5,974	0	5,974	0	0	0
1,226,348	1,318	1,227,666	38,905	395	395
20,381,647	1,318	20,382,965	38,905	395	395
413,766	0	413,766	0	0	0
20,795,413	1,318	20,796,731	0	0	0
3,531,416	1,190,688	4,722,104	(120,720)	(37,345)	(37,345)
95,320,011	12,856,582	108,176,593	284,759	2,403,251	2,403,251
<u>\$98,851,427</u>	<u>\$14,047,270</u>	<u>\$112,898,697</u>	<u>\$164,039</u>	<u>\$2,365,906</u>	<u>\$2,365,906</u>

**SCIOTO COUNTY, OHIO**  
Balance Sheet  
Governmental Funds  
December 31, 2012

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$2,526,492	\$1,704,817	\$1,870,058
Cash and Cash Equivalents in			
Segregated Accounts	57,868	7,879	0
Cash and Cash Equivalents with Trustee	0	0	0
Receivables:			
Sales Tax	2,850,964	0	0
Property Taxes	2,101,622	0	0
Accounts	6,930	0	251
Interfund	22,215	25,295	62,500
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	925,681	124,155	2,289,414
Prepaid Items	93,226	121,658	0
Materials and Supplies Inventory	9,944	6,261	272,445
Advances to Other Funds	22,714	0	154,600
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
Equity in Pooled Cash and Cash Equivalents	201,858	0	0
<b>Total Assets</b>	<b>\$8,819,514</b>	<b>\$1,990,065</b>	<b>\$4,649,268</b>
<b><u>Liabilities:</u></b>			
Accounts Payable	\$161,708	\$20,477	\$40,513
Contracts Payable	0	0	28,903
Accrued Wages Payable	40,826	44,786	63,969
Due to Other Governments	174,269	87,726	44,273
Interfund Payable	0	18,519	0
Retainage Payable	1,260	0	0
Accrued Interest Payable	1,432	0	0
Matured Compensated Absences Payable	127,209	0	6,015
Notes Payable	137,000	0	0
Advances from Other Funds	350,000	15,439	0
<b>Total Liabilities</b>	<b>993,704</b>	<b>186,947</b>	<b>183,673</b>
<b><u>Deferred Inflows of Resources</u></b>			
Property Taxes not Levied to Finance Current Year Operations	1,704,738	0	0
Payment in Lieu of Taxes not Intended to Finance Current Year Operations	0	0	0
Unavailable Revenue	2,087,902	0	1,547,554
<b>Total Deferred Inflows of Resources</b>	<b>3,792,640</b>	<b>0</b>	<b>1,547,554</b>
<b><u>Fund Balances:</u></b>			
Nonspendable	327,742	127,919	272,445
Restricted	0	1,675,199	2,645,596
Committed	0	0	0
Assigned	317,092	0	0
Unassigned (Deficit)	3,388,336	0	0
<b>Total Fund Balances</b>	<b>4,033,170</b>	<b>1,803,118</b>	<b>2,918,041</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$8,819,514</b>	<b>\$1,990,065</b>	<b>\$4,649,268</b>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,019,921	\$1,043,674	\$6,812,364	\$16,977,326
0	0	33,308	99,055
0	0	265,601	265,601
0	0	0	2,850,964
4,312,963	913,321	110,264	7,438,170
0	0	42,078	49,259
0	2,691	18,519	131,220
14,400	3,600	1,800	19,800
1,476,039	854,721	695,886	6,365,896
153,554	3,933	20,810	393,181
0	0	1,465	290,115
28,439	0	350,000	555,753
0	0	489,528	489,528
0	0	17,612	17,612
0	0	0	201,858
<u>\$9,005,316</u>	<u>\$2,821,940</u>	<u>\$8,859,235</u>	<u>\$36,145,338</u>
\$67,726	\$100,419	\$109,844	\$500,687
0	0	0	28,903
13,462	21,844	22,187	207,074
166,972	27,227	157,035	657,502
0	0	112,701	131,220
0	0	17,612	18,872
0	0	4,965	6,397
0	0	0	133,224
0	0	350,000	487,000
0	0	190,314	555,753
<u>248,160</u>	<u>149,490</u>	<u>964,658</u>	<u>2,726,632</u>
3,515,982	743,058	92,957	6,056,735
14,400	3,600	1,800	19,800
<u>1,744,686</u>	<u>637,964</u>	<u>357,637</u>	<u>6,375,743</u>
<u>5,275,068</u>	<u>1,384,622</u>	<u>452,394</u>	<u>12,452,278</u>
153,554	3,933	22,275	907,868
3,328,534	1,283,895	7,087,546	16,020,770
0	0	324,741	324,741
0	0	11,646	328,738
0	0	(4,025)	3,384,311
<u>3,482,088</u>	<u>1,287,828</u>	<u>7,442,183</u>	<u>20,966,428</u>
<u>\$9,005,316</u>	<u>\$2,821,940</u>	<u>\$8,859,235</u>	<u>\$36,145,338</u>

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**SCIOTO COUNTY, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2012

**Total Governmental Fund Balances** \$20,966,428

*Amounts reported for governmental activities in the  
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,573,594	
Depreciable capital assets	130,650,510	
Accumulated depreciation	<u>(48,227,342)</u>	
Total capital assets		83,996,762

The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 151,583

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.

Sales tax	1,075,823	
Delinquent property taxes	1,381,435	
Charges for services	96,571	
Intergovernmental	<u>3,821,914</u>	
		6,375,743

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (38,324)

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	(9,008,478)	
Loans payable	(11,323)	
Capital leases payable	(1,753,044)	
Compensated absences	(1,610,310)	
Accrued compensatory time payable	(60,542)	
Workers' compensation claims payable	<u>(157,068)</u>	
Total liabilities		<u>(12,600,765)</u>

**Net Position of Governmental Activities** \$98,851,427

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2012

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Revenues:</u></b>			
Property Taxes	\$1,713,455	\$0	\$0
Other Local Taxes	355,016	0	0
Sales Tax	10,911,591	0	0
Revenue in Lieu of Taxes	163	0	0
Charges for Services	2,763,494	911	222,705
Licenses and Permits	4,009	0	0
Fines and Forfeitures	143,567	0	10,413
Intergovernmental	1,814,471	6,663,707	5,125,896
Interest	5,745	0	187
Rent	2,560	0	900
Contributions and Donations	0	0	0
Miscellaneous	110,336	273,512	55,954
<b>Total Revenues</b>	<b>17,824,407</b>	<b>6,938,130</b>	<b>5,416,055</b>
<b><u>Expenditures:</u></b>			
Current:			
General Government:			
Legislative and Executive	6,866,269	0	0
Judicial	2,220,480	0	0
Public Safety:			
Sheriff	3,598,470	0	0
Other	496,669	0	0
Public Works	0	0	4,803,771
Health	317,649	0	0
Human Services	423,625	6,681,681	0
Conservation and Recreation	247,172	0	0
Economic Development and Assistance	74,899	0	0
Transportation	0	0	0
Capital Outlay	0	0	28,903
Debt Service:			
Principal Retirement	202,757	45,049	1,304
Interest and Fiscal Charges	39,356	10,499	83
<b>Total Expenditures</b>	<b>14,487,346</b>	<b>6,737,229</b>	<b>4,834,061</b>
Excess of Revenues Over (Under) Expenditures	3,337,061	200,901	581,994
<b><u>Other Financing Sources (Uses):</u></b>			
Inception of Capital Lease	63,252	0	0
Transfers In	0	224,833	0
Transfers Out	(1,379,791)	0	(5,146)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,316,539)</b>	<b>224,833</b>	<b>(5,146)</b>
<b>Special Item - Land Sale</b>	<b>413,766</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>2,434,288</b>	<b>425,734</b>	<b>576,848</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,598,882</b>	<b>1,377,384</b>	<b>2,341,193</b>
<b>Fund Balances at End of Year</b>	<b>\$4,033,170</b>	<b>\$1,803,118</b>	<b>\$2,918,041</b>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,520,061	\$744,369	\$92,339	\$6,070,224
0	0	0	355,016
0	0	0	10,911,591
14,799	3,678	1,800	20,440
59,041	0	3,083,391	6,129,542
0	0	52,323	56,332
0	0	983,299	1,137,279
5,060,835	1,937,309	5,575,562	26,177,780
25	0	17	5,974
0	0	0	3,460
5,165	8,820	89	14,074
593,506	2,164	190,876	1,226,348
<u>9,253,432</u>	<u>2,696,340</u>	<u>9,979,696</u>	<u>52,108,060</u>
0	0	537,977	7,404,246
0	0	455,277	2,675,757
0	0	1,661,544	5,260,014
0	0	1,389,972	1,886,641
0	0	155,743	4,959,514
9,907,198	0	288,118	10,512,965
0	2,678,328	1,172,672	10,956,306
0	0	0	247,172
0	0	1,211,584	1,286,483
0	0	769,932	769,932
0	0	1,450,048	1,478,951
112,068	44,063	530,645	935,886
42,242	13,243	505,085	610,508
<u>10,061,508</u>	<u>2,735,634</u>	<u>10,128,597</u>	<u>48,984,375</u>
<u>(808,076)</u>	<u>(39,294)</u>	<u>(148,901)</u>	<u>3,123,685</u>
32,940	0	0	96,192
0	0	1,184,016	1,408,849
0	0	(23,912)	(1,408,849)
<u>32,940</u>	<u>0</u>	<u>1,160,104</u>	<u>96,192</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>413,766</u>
(775,136)	(39,294)	1,011,203	3,633,643
<u>4,257,224</u>	<u>1,327,122</u>	<u>6,430,980</u>	<u>17,332,785</u>
<u>\$3,482,088</u>	<u>\$1,287,828</u>	<u>\$7,442,183</u>	<u>\$20,966,428</u>

**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, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$3,633,643

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

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	3,812,201	
Depreciation expense	(3,565,037)	
Excess of capital outlay over depreciation expense	.	247,164

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		(87,261)
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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	76,886	
Sales tax	73,554	
Revenue in lieu of taxes	(20,200)	
Charges for services	(22,476)	
Intergovernmental	(976,587)	
Total revenues	(976,587)	(868,823)

The decrease in the County's investment interest of its joint venture is not reported in the governmental fund statements but is included in program expenses in the Statement of Activities.

(64,197)

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 Position, the lease obligation is reported as a liability.

(96,192)

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 Position. In the current year, these amounts consist of:

Loan principal payments	17,709	
Bond principal payments	515,000	
Capital lease payments	403,177	
Total long-term debt repayments	403,177	935,886

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:

Decrease in compensated absences payable	133,860	
Decrease in accrued compensatory time payable	4,637	
Increase in workers' compensation claims payable	(115,665)	
	(115,665)	22,832

Amortization of 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.

Increase in accrued interest	(174,355)	
Amortization of premium on general obligation bonds	205	
Amortization of loss on refundings	(17,486)	
	(17,486)	(191,636)

**Change in Net Position of Governmental Activities** \$3,531,416

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, 2012

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,650,000	\$1,700,500	\$1,700,948	\$448
Other Local Taxes	315,000	325,000	355,016	30,016
Sales Tax	10,000,000	10,482,733	10,878,951	396,218
Revenue in Lieu of Taxes	150	150	163	13
Charges for Services	2,000,700	2,012,200	2,214,683	202,483
Licenses and Permits	4,000	4,000	3,909	(91)
Fines and Forfeitures	137,000	132,000	143,861	11,861
Intergovernmental	1,300,000	1,651,529	1,765,837	114,308
Interest	7,500	7,500	5,841	(1,659)
Rent	2,500	2,500	2,560	60
Miscellaneous	16,700	434,871	460,572	25,701
<b>Total Revenues</b>	<b>15,433,550</b>	<b>16,752,983</b>	<b>17,532,341</b>	<b>779,358</b>
<b><u>Expenditures:</u></b>				
Current:				
General Government:				
Legislative and Executive	7,080,300	7,154,790	6,954,802	199,988
Judicial	1,867,458	1,962,158	1,914,278	47,880
Public Safety:				
Sheriff	3,645,339	3,809,094	3,792,162	16,932
Other	530,503	529,907	526,345	3,562
Health	343,728	343,719	343,458	261
Human Services	436,493	457,100	445,559	11,541
Conservation and Recreation	176,841	169,785	168,174	1,611
Economic Development and Assistance	63,196	73,146	71,732	1,414
Debt Service:				
Principal Retirement	0	8,637	8,637	0
Interest and Fiscal Charges	0	419	419	0
<b>Total Expenditures</b>	<b>14,143,858</b>	<b>14,508,755</b>	<b>14,225,566</b>	<b>283,189</b>
Excess of Revenues Over Expenditures	1,289,692	2,244,228	3,306,775	1,062,547
<b><u>Other Financing Sources (Uses):</u></b>				
Advances Out	0	0	(197,359)	(197,359)
Transfers In	0	38,000	38,000	0
Transfers Out	(1,534,521)	(2,644,325)	(2,350,146)	294,179
<b>Total Other Financing Sources (Uses)</b>	<b>(1,534,521)</b>	<b>(2,606,325)</b>	<b>(2,509,505)</b>	<b>96,820</b>
<b>Net Change in Fund Balance</b>	<b>(244,829)</b>	<b>(362,097)</b>	<b>797,270</b>	<b>1,159,367</b>
<b>Fund Balance (Deficit) at Beginning of Year - Restated</b>	<b>(120,229)</b>	<b>(120,229)</b>	<b>(120,229)</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>494,858</b>	<b>494,858</b>	<b>494,858</b>	<b>0</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$129,800</b>	<b>\$12,532</b>	<b>\$1,171,899</b>	<b>\$1,159,367</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, 2012

	<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	\$0	\$0	\$911	\$911
Intergovernmental	7,998,885	7,069,438	7,053,085	(16,353)
Miscellaneous	304,017	304,017	273,512	(30,505)
<i>Total Revenues</i>	8,302,902	7,373,455	7,327,508	(45,947)
<b><u>Expenditures:</u></b>				
Current:				
Human Services	8,612,138	8,540,631	6,881,006	1,659,625
Excess of Revenues Over (Under) Expenditures	(309,236)	(1,167,176)	446,502	1,613,678
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	0	0	43,213	43,213
Advances Out	0	0	(55,548)	(55,548)
Transfers In	222,099	222,099	224,833	2,734
<i>Total Other Financing Sources (Uses)</i>	222,099	222,099	212,498	(9,601)
<i>Net Change in Fund Balance</i>	(87,137)	(945,077)	659,000	1,604,077
<i>Fund Balance at Beginning of Year</i>	791,594	791,594	791,594	0
<i>Prior Year Encumbrances Appropriated</i>	153,483	153,483	153,483	0
<i>Fund Balance at End of Year</i>	<u>\$857,940</u>	<u>\$0</u>	<u>\$1,604,077</u>	<u>\$1,604,077</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, 2012

	<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	\$202,861	\$202,861	\$222,705	\$19,844
Fines and Forfeitures	15,219	15,219	10,846	(4,373)
Intergovernmental	4,444,843	4,444,843	4,434,822	(10,021)
Interest	361	361	187	(174)
Rent	900	900	900	0
Miscellaneous	14,400	14,400	33,383	18,983
<i>Total Revenues</i>	4,678,584	4,678,584	4,702,843	24,259
<b><u>Expenditures:</u></b>				
Current:				
Public Works	5,293,092	5,287,946	4,679,292	608,654
Excess of Revenues Over (Under) Expenditures	(614,508)	(609,362)	23,551	632,913
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	0	0	56,000	56,000
Advances Out	0	0	(68,500)	(68,500)
Transfers Out	0	(5,146)	(5,146)	0
<i>Total Other Financing Sources (Uses)</i>	0	(5,146)	(17,646)	(12,500)
<i>Net Change in Fund Balance</i>	(614,508)	(614,508)	5,905	620,413
<i>Fund Balance at Beginning of Year - Restated</i>	361,741	361,741	361,741	0
<i>Prior Year Encumbrances Appropriated</i>	252,767	252,767	252,767	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$620,413</u>	<u>\$620,413</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, 2012

	<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	\$3,061,000	\$3,168,500	\$3,494,468	\$325,968
Revenue in Lieu of Taxes	14,350	14,350	14,799	449
Charges for Services	54,000	54,000	59,041	5,041
Intergovernmental	3,040,090	4,479,490	5,097,887	618,397
Contributions and Donations	0	0	1,000	1,000
Miscellaneous	0	0	483,288	483,288
<i>Total Revenues</i>	<u>6,169,440</u>	<u>7,716,340</u>	<u>9,150,483</u>	<u>1,434,143</u>
<b><u>Expenditures:</u></b>				
Current:				
Health	7,868,998	9,744,303	9,680,677	63,626
Debt Service:				
Principal Retirement	9,072	9,072	9,072	0
Interest and Fiscal Charges	181	181	181	0
<i>Total Expenditures</i>	<u>7,878,251</u>	<u>9,753,556</u>	<u>9,689,930</u>	<u>63,626</u>
Excess of Revenues Over (Under) Expenditures	(1,708,811)	(2,037,216)	(539,447)	1,497,769
<b><u>Other Financing Sources:</u></b>				
Advances In	0	0	78,303	78,303
<i>Net Change in Fund Balance</i>	(1,708,811)	(2,037,216)	(461,144)	1,576,072
<i>Fund Balance at Beginning of Year - Restated</i>	1,957,828	1,957,828	1,957,828	0
<i>Prior Year Encumbrances Appropriated</i>	<u>79,742</u>	<u>79,742</u>	<u>79,742</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$328,759</u>	<u>\$354</u>	<u>\$1,576,426</u>	<u>\$1,576,072</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, 2012

	<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	\$810,000	\$834,200	\$738,926	(\$95,274)
Revenue in Lieu of Taxes	100	3,700	3,678	(22)
Intergovernmental	1,419,197	1,419,197	1,833,707	414,510
Contributions and Donations	7,674	4,074	8,820	4,746
Miscellaneous	98,803	98,803	2,164	(96,639)
<i>Total Revenues</i>	2,335,774	2,359,974	2,587,295	227,321
<b><u>Expenditures:</u></b>				
Current:				
Human Services	3,403,959	3,403,960	2,806,431	597,529
<i>Net Change in Fund Balance</i>	(1,068,185)	(1,043,986)	(219,136)	824,850
<i>Fund Balance at Beginning of Year</i>	1,109,508	1,109,508	1,109,508	0
<i>Prior Year Encumbrances Appropriated</i>	62,638	62,638	62,638	0
<i>Fund Balance at End of Year</i>	<u>\$103,961</u>	<u>\$128,160</u>	<u>\$953,010</u>	<u>\$824,850</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fund Net Position  
Enterprise Fund  
December 31, 2012

	<i>Sewer Fund</i>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,463,208
Cash and Cash Equivalents in Segregated Accounts	229,465
Materials and Supplies Inventory	4,737
Accounts Receivable	2,003,619
Due from Other Governments	509,316
Prepaid Items	7,885
Loans Receivable	45,743
Capital Assets:	
Nondepreciable Capital Assets	3,059,482
Depreciable Capital Assets, Net	15,372,644
<i>Total Assets</i>	22,696,099
 <b><u>Deferred Outflows of Resources</u></b>	
Deferred Charge on Refunding	56,580
 <b><u>Liabilities:</u></b>	
Accounts Payable	63,065
Contracts Payable	25,846
Accrued Wages Payable	2,544
Intergovernmental Payable	31,654
Accrued Interest Payable	108,906
General Obligation Bonds Payable	215,875
Farmer's Home Administration Bonds Payable	66,479
Ohio Public Works Commission Loans Payable	46,819
Ohio Water Development Authority Loans Payable	42,615
Compensatory Time Payable	7,224
Compensated Absences Payable	42,284
<i>Total Liabilities</i>	653,311
 <b><u>Long-Term Liabilities (Net of Current Portion):</u></b>	
General Obligation Bonds Payable	2,841,523
United States Department of Agriculture Loan	367,000
Farmer's Home Administration Bonds Payable	2,697,044
Ohio Public Works Commission Loans Payable	665,897
Ohio Water Development Authority	1,461,107
Compensated Absences Payable	19,527
<i>Total Long-Term Liabilities</i>	8,052,098
<i>Total Liabilities</i>	8,705,409
 <b><u>Net Position:</u></b>	
Net Investment in Capital Assets	10,001,921
Unrestricted	4,045,349
<i>Total Net Position</i>	\$14,047,270

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Enterprise Fund  
For the Year Ended December 31, 2012

	<u>Sewer Fund</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	<u>\$3,376,931</u>
<b><u>Operating Expenses:</u></b>	
Personal Services	661,132
Fringe Benefits	450,654
Contractual Services	854,531
Materials and Supplies	197,855
Depreciation	399,747
Other	<u>3,357</u>
<i>Total Operating Expenses</i>	<u>2,567,276</u>
Operating Income	<u>809,655</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Federal Emergency Management Agency Grant	8,564
Interest and Fiscal Charges	(363,442)
Other Non-Operating Revenues	1,318
Other Non-Operating Expenses	<u>(22,859)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(376,419)</u>
Income Before Capital Grants	433,236
Capital Grants	<u>757,452</u>
<i>Net Income</i>	1,190,688
<i>Net Position at Beginning of Year</i>	<u>12,856,582</u>
<i>Net Position at End of Year</i>	<u><u>\$14,047,270</u></u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Cash Flows  
Enterprise Fund  
For the Year Ended December 31, 2012

	<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	\$3,274,423
Cash Payments to Suppliers for Goods and Services	(1,063,997)
Cash Payments to Employees for Services	(671,417)
Cash Payments for Employee Benefits	(449,104)
Cash Payments for Other Operating Expenses	(3,357)
	1,086,548
<i>Net Cash Provided by Operating Activities</i>	<i>1,086,548</i>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Proceeds of Loans	647,336
Capital Grants Received	261,969
Federal Emergency Management Agency Grant	8,564
Aquisition of Capital Assets	(897,089)
Principal Paid on Bonds and Loans	(362,295)
Interest Paid on Bonds and Loans	(279,962)
Other Non-Operating Revenues	1,605
Other Non-Operating Expenses	(22,859)
	(642,731)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(642,731)</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>443,817</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>1,248,856</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$1,692,673</i>
<b><u>Reconciliation of Operating Income to Net</u></b>	
<b><u>Cash Provided by Operating Activities:</u></b>	
Operating Income	\$809,655
<b><u>Adjustments to Reconcile Operating Income</u></b>	
<b><u>to Net Cash Provided by Operating Activities</u></b>	
Depreciation	399,747
Decrease in Materials and Supplies Inventory	2,249
Increase in Accounts Receivable	(102,508)
Increase in Prepaid Items	(154)
Decrease in Accounts Payable	(1,269)
Increase in Accrued Wages and Benefits	2,544
Decrease in Due to Other Governments	(15,282)
Decrease in Compensatory Time Payable	(5,861)
Decrease in Compensated Absences Payable	(2,573)
	276,893
Total Adjustments	276,893
<i>Net Cash Provided by Operating Activities</i>	<i>\$1,086,548</i>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2012

<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,045,835
Cash and Cash Equivalents in Segregated Accounts	1,137,663
Receivables:	
Property Taxes	41,489,160
Accounts	1,004,332
Revenue in Lieu of Taxes	160,200
Due from Other Governments	2,534,420
<i>Total Assets</i>	\$50,371,610
 <b><u>Liabilities:</u></b>	
Due to Other Governments	\$45,203,112
Undistributed Monies	5,168,498
<i>Total Liabilities</i>	\$50,371,610

See Accompanying Notes to the Basic Financial Statements

**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 County 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 Scioto County, this includes the Children Services Board, the Scioto County 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 Scioto County 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, some utilities, and contract services. Financial statements are issued as part of the Scioto County report and are not obtainable separately.

The information presented in Notes 2 through 27 relates to the primary government. Information related to the discretely presented component units is presented in Note 28.

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 19, 20, and 21 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 Scioto 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 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 Position 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 Position 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 Position 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 proprietary 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* – To account for and report 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* – To account for and report various federal and State resources which are restricted for the purpose of providing public assistance to general relief recipients, paying their providers for medical assistance, and for providing certain public social services.

*Motor Vehicle Gas Tax* – To account for and report 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* – To account for and report monies received through a County-wide property tax levy, along with federal and State grants, which are restricted to the operation of a school and assistance to a workshop for the developmentally disabled.

*Children Services* – To account for and report monies received from federal and State grants, the Social Security Administration, and various other resources restricted to the support of 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, committed, or assigned to a particular purpose.

**PROPRIETARY FUNDS**

Proprietary funds focus on the determination of operating income, changes in net position, 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 and report 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* – To account for and report the provision of sanitary sewer services to the residents and businesses of the County.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net position and changes in net position. 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 Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

*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 proprietary 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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its proprietary 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; proprietary 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 inflows/outflows of resources, 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, sales tax, revenue in lieu of taxes, 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 7.) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8.) 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, and accounts (i.e., charges for services and licenses and permits).

Unearned revenue represents amounts under accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, payment in lieu of taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**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.

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in 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.

**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 2012. 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 net asset value per share which is the price the investment could be sold for at December 31, 2012.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2012 amounted to \$5,745, of which \$5,303 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.

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

**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.

**PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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 BALANCES**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivables” and “Interfund Payable”. Long-term interfund loan receivables, reported as “Advances to Other Funds” or “Advances from Other Funds”, are classified as nonspendable fund balance which indicate that they are not in spendable form even though it is a component of net current position. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**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 Position but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column of the government-wide Statement of Net Position 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 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

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

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.

**CAPITALIZATION OF INTEREST**

It is the County's policy to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

**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 proprietary 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 proprietary fund are reported on the proprietary 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.

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

**FUND BALANCE**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The nonspendable fund balances for the County include prepaids, materials and supplies inventory, unclaimed monies, and the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of County Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of County Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County.

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 and monies held in escrow accounts that are still owed to contractors for work completed relating to the jail construction project.

**BOND PREMIUMS AND LOSS ON REFUNDING**

Premiums for the government-wide statements and proprietary 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.

The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is reported in the proprietary fund as a deferred charge on refunding and 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. Transfers between governmental activities are eliminated on the government-wide financial statements.

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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

**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.

**NET POSITION**

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for real estate assessments, GIS mapping, delinquent tax collections, and the County's share of the joint venture.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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 19). The County's share in year-end net position is included on the Statement of Net Position 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 proprietary 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 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"*

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

*GASB Statement No. 60* improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the County's financial statements.

*GASB Statement No. 62* incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the County's financial statements.

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 64* clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**ACCOUNTABILITY**

The Recovery Assistance Department of Education and County Sign Upgrade Project Special Revenue Funds had deficit fund balances of \$488 and \$3,537, respectively, at December 31, 2012. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

**COMPLIANCE**

Ohio Revised 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 \$350,000 which was received and deposited into the General Fund to pay general operating expenses.

Ohio Revised 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 County had a negative fund balance within the Juvenile Detention Center Fund at certain points throughout the year, but was corrected by year-end.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

**FEDERAL COMPLIANCE**

13 C.F.R. Section 307.12(a) states that Revolving Loan Fund (RLF) income must be placed into the RLF capital base for the purpose of making loans or payment for eligible and reasonable costs associated with the RLF's operations. For the period of October 1, 2011 through March 31, 2012, administrative expenses exceeded RLF income by \$1,187. For the period of April 1, 2012 through September 30, 2012, administrative expenses exceeded RLF income by \$5,484. This resulted in \$6,671 of RLF capital for lending being used for administrative expenses without prior approval of the Economic Development Administration (EDA) which is considered unallowable and are considered questioned costs as well.

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 reports for the periods ending March 31, 2012 and September 30, 2012.

OBM Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect for Federal awards. OBM Circular A-87, Appendix A, paragraph C.1 outlines the guidance for an expenditure to be allowable under Federal awards. Also, Section 25.i of the State of Ohio Small Cities Community Development Block Grant (CDBG) Agreement, states that any rights, duties, or obligations described in the agreement shall not be assigned, subcontracted, or subgranted by the Grantee without prior expressed written consent of the Grantor. This section thus, prohibits the County from having subrecipients of their CDBG grants or giving any obligations they have to another entity for the CDBG grants. However, we found that the County entered into an agreement (without prior approval of the Ohio Department of Development) with another entity (Southern Ohio Port Authority) where the County paid the entity directly, and the entity then took care of the bidding process and payment of the contractors themselves. This violated the agreement the County had with the Ohio Department of Development and resulted in questioned costs of \$214,542.

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.

24 C.F.R Sections 91.115 and 570.486 require, prior to the submission to United States Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to the HUD that it has met the citizen participation requirements. The County could not provide a copy of their Citizen Participation Plan. Thus, we could not test if the County did comply with its own plan.

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

The Ohio Department of Development's Office of Housing and Community Partnership (OHCP) Financial Management Guide, Attachment 12 sections (c)(4) and (5) and (f) state, in part, that the unit of general local government is required to submit to OHCP, at least annually, a status report on program income received and expended for the previous 12-month period as well as projected levels of program income for the upcoming 12-month period. Units of general local government administering local revolving funds for economic development activities must report on a semi-annual basis using the Semi-Annual RLF Status Report. The County's first half semi-annual report was not in agreement with the County Auditor's records, and the County failed to prepare and submit the second half report.

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The County's audit could not be completed by the required deadline.

**NOTE 5 - 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 restricted, committed, or assigned fund balance (GAAP basis).
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. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund, Motor Vehicle Gas Tax Fund, and Board of Development Disabilities Fund (GAAP basis).

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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	\$2,434,288	\$425,734	\$576,848	(\$775,136)	(\$39,294)
Increases (Decreases) Due to:					
Revenue Accruals	2,525	385,184	256,923	230,911	(103,602)
Expenditure Accruals	123,025	(43,037)	(127,173)	(274,245)	(6,202)
Encumbrances	(350,543)	(100,740)	(120,027)	(38,800)	(64,595)
Unrecorded Cash - 2011	195,703	12,073	0	96,338	20,626
Unrecorded Cash - 2012	(223,512)	(7,879)	0	(121,931)	(26,069)
Transfers	(932,355)	(55,548)	0	0	0
Advances	(197,359)	43,213	(12,500)	78,303	0
Perspective Differences	(254,502)	0	(568,166)	343,416	0
Budget Basis	<u>\$797,270</u>	<u>\$659,000</u>	<u>\$5,905</u>	<u>(\$461,144)</u>	<u>(\$219,136)</u>

**NOTE 6 - 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;
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;

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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);
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
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.

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.

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS**

As of December 31, 2012, the County had the following investments.

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$101,122	average 57 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. All of the County’s investments are in STAR Ohio.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2012 for real and public utility property taxes represents collections of 2011 taxes.

2012 real property taxes were levied after October 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes which became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2012, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 7 - PROPERTY TAXES (Continued)**

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$718,158,670
Commercial/Industrial/Public Utility	144,188,750
Public Utility Real	12,570,250
Public Utility Personal	<u>78,251,210</u>
Total Assessed Value	<u><u>\$953,168,880</u></u>

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 public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources – property taxes. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**NOTE 8 - 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 2012.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2012, 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, advances to other funds, 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, advances to other funds, 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, 2012, was \$489,528, of which \$13,156 is considered to be due within one year.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 9 - RECEIVABLES (Continued)**

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

	<b>Amount</b>
<u>Governmental Activities Intergovernmental Receivables</u>	
Board of DD contract services and subsidies	\$713,010
Board of DD program reimbursements	295,129
Bridge Load Weighting Grant	28,933
Bridges to Transition Grant	90,533
Casino Revenues	358,570
Community Development Block Grant	57,500
Human Services Grants / Reimbursements	124,155
Cents Per Gallon	366,796
Child Support Poundage	19,336
Children Services Reimbursements	795,273
Community Correction Grants	158,473
Early Childhood IDEA grant	7,532
Energy Management Prepared Grant	9,736
Felony Delinquent Care and Custody Grant	192,054
Gas Tax	740,222
High Intensity Drug Trafficking Grant	13,920
Homestead / Rollback	483,573
Indigent Defense	45,520
Inmate Medical Reimbursement	639
Justice Assistance Grant	4,985
Law Library Fines and Costs	3,589
Local Government	272,725
MVL Tax	1,130,892
Prisoner Housing	106,465
Probation Improvement Incentive Grant	73,847
Regional Infant Hearing Grant	27,551
Sheriff Rotary Patrols	97,665
Charges for Services to Other Governments	22,571
Title XIX Grant	50,331
Title XX Grant	15,625
Victims of Crime Grant	58,746
Total Governmental Activities	6,365,896
<u>Business-Type Activities Intergovernmental Receivables</u>	
United States Department of Agriculture Grant - Eden Park Project Grant	335,108
Ohio Public Works Commission - West Portsmouth Project Grant	174,208
Total Business-Type Activities	509,316
Total Intergovernmental Receivables	\$6,875,212

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 10 - CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended December 31, 2012, was as follows:

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,576,086	\$0	(\$2,492)	\$1,573,594
Depreciable Capital Assets:				
Land Improvements	1,053,680	395,048	0	1,448,728
Buildings and Building Improvements	46,792,229	133,091	0	46,925,320
Furniture, Fixtures, and Equipment	5,888,271	280,312	(34,265)	6,134,318
Vehicles	4,766,284	134,926	(212,780)	4,688,430
Infrastructure	68,763,272	2,868,824	(178,382)	71,453,714
Total Depreciable Capital Assets	<u>127,263,736</u>	<u>3,812,201</u>	<u>(425,427)</u>	<u>130,650,510</u>
Less Accumulated Depreciation:				
Land Improvements	(124,707)	(60,056)	0	(184,763)
Buildings and Building Improvements	(13,886,341)	(943,695)	0	(14,830,036)
Furniture, Fixtures, and Equipment	(4,285,674)	(331,038)	28,362	(4,588,350)
Vehicles	(3,317,896)	(361,471)	200,354	(3,479,013)
Infrastructure	(23,388,345)	(1,868,777)	111,942	(25,145,180)
Total Accumulated Depreciation	<u>(45,002,963)</u>	<u>(3,565,037) *</u>	<u>340,658</u>	<u>(48,227,342)</u>
Depreciable Capital Assets, Net	<u>82,260,773</u>	<u>247,164</u>	<u>(84,769)</u>	<u>82,423,168</u>
Governmental Activities				
Capital Assets, Net	<u>\$83,836,859</u>	<u>\$247,164</u>	<u>(\$87,261)</u>	<u>\$83,996,762</u>

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

General Government:	
Legislative and Executive	\$160,095
Judicial	69,749
Public Safety:	
Sheriff	427,179
Other	212,909
Public Works	1,992,245
Health	260,295
Human Services	140,650
Conservation and Recreation	235,579
Transportation	66,336
Total Depreciation Expense	<u>\$3,565,037</u>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 10 - CAPITAL ASSETS (Continued)**

Capital assets activity of the business-type activities for the year ended December 31, 2012, was as follows:

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$18,480	\$0	\$0	\$18,480
Construction in Progress	2,436,391	839,488	(234,877)	3,041,002
Total Capital Assets, Not Being Depreciated	2,454,871	839,488	(234,877)	3,059,482
Depreciable Capital Assets:				
Land Improvements	7,393	0	0	7,393
Buildings and Building Improvements	7,246,482	0	0	7,246,482
Furniture, Fixtures, and Equipment	737,618	11,410	0	749,028
Vehicles	267,951	5,349	0	273,300
Infrastructure	14,652,788	236,279	0	14,889,067
Total Depreciable Capital Assets	22,912,232	253,038	0	23,165,270
Less Accumulated Depreciation:				
Land Improvements	(169)	(370)	0	(539)
Buildings and Building Improvements	(2,816,047)	(144,930)	0	(2,960,977)
Furniture, Fixtures, and Equipment	(687,670)	(7,287)	0	(694,957)
Vehicles	(203,315)	(15,984)	0	(219,299)
Infrastructure	(3,685,678)	(231,176)	0	(3,916,854)
Total Accumulated Depreciation	(7,392,879)	(399,747)	0	(7,792,626)
Depreciable Capital Assets, Net	15,519,353	(146,709)	0	15,372,644
Business-Type Activities				
Capital Assets, Net	\$17,974,224	\$692,779	(\$234,877)	\$18,432,126

**NOTE 11 - 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 20) 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 11 - 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 2012. Current limits for claims incurred in calendar year 2012 are \$125,000 per claim and 150 percent of the annual premium in the aggregate. The minimum premium portion of intergovernmental payable is \$225,030 and the actual claim costs are \$122,364. 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, 2012, through December 31, 2012, total \$157,068 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, 2012, 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
2011	\$8,071	\$102,802	\$69,470	\$41,403
2012	41,403	122,364	6,699	157,068

**NOTE 12 - 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 12 - 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.5 percent and 12.1 percent, respectively. Effective January 1, 2013, the member contribution rates for public safety and law enforcement increased to 12 percent and 12.6 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 2012, member and employer contribution rates were consistent across all three plans.

The County's 2012 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 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 4.00 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. 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, 2012, 2011, and 2010 were \$2,073,550, \$2,158,283, and \$2,006,889 respectively. For 2012, 90.73 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the Member-Directed Plan for 2012 were \$28,029 made by the County and \$20,021 made by the plan members.

**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description – Certified teachers employed by the School for Developmental Disabilities participate in 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**NOTE 12 - 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 multiplied by 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 divided by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2012, 2011, and 2010 were \$90,794, \$86,727, and \$89,074, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

**NOTE 13 - 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 13 - 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

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 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

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 13 - POSTEMPLOYMENT BENEFITS (Continued)**

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010 were \$800,612, \$833,866 and \$1,074,327 respectively. For 2012, 90.73 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description – Certified teachers employed by the School of Developmental Disabilities participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions for health care for the fiscal years ended December 31, 2012, 2011, and 2010 were \$6,984, \$6,671, and \$6,852, respectively; 100 percent has been contributed for 2012, 2011, and 2010.

**NOTE 14 - 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 14 - 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 Plan of Ohio and Anthem Life, respectively.

**NOTE 15 - LEASES – LESSEE DISCLOSURE**

During 2012 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 Position 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, 2012

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**NOTE 15 - 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 \$3,360,625. A corresponding liability was recorded on the Statement of Net Position for governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2012 totaled \$403,177 in the governmental funds.

The assets acquired through capital leases as of December 31, 2012, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$2,850,818	\$382,034	\$2,468,784
Furniture, Fixtures, and Equipment	279,735	81,668	198,067
Vehicles	230,072	39,665	190,407
Total	\$3,360,625	\$503,367	\$2,857,258

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, 2012:

Year Ending December 31,	Amount
2013	\$489,606
2014	395,311
2015	384,224
2016	362,496
2017	194,540
2018-2022	136,653
2023-2027	108,000
2028	18,000
Total	2,088,830
Less: Amount Representing Interest	(335,786)
Present Value of Net Minimum Lease Payments	\$1,753,044

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 2012 were \$5,393, which were paid from the General Fund and Public Assistance Special Revenue Fund.

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

Year Ending December 31,	Amount
2013	\$5,393

**NOTE 16 - 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.

*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. The future debt service requirements for the 2012 loan are not presented in 2012 because the loan has not yet been fully drawn and therefore the final amortization schedule has not been provided to the County as of the end of the year.

*Ohio Water Development Authority (OWDA) and United States Department of Agriculture (USDA) 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 USDA loan consists of money owed to the United States Department of Agriculture for the Eden Park Extension project. The loans will be repaid from the Sewer Fund. The future debt service requirements for these loans are not presented in 2012 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, 2012

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Compensated absences will be paid from the Sewer 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 12/31/2011	Additions	Deletions	Principal Outstanding at 12/31/2012	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	\$696,354	\$0	\$14,638	\$681,716	\$15,297
West Portsmouth Sewer System					
Refunding Bonds 1999 4.50% - \$2,880,000	1,170,000	0	175,000	995,000	180,000
Wheelersburg Wastewater Treatment					
Plant Bonds 2004 4.50% - \$1,200,000	1,094,830	0	15,940	1,078,890	16,660
Rigrish Sewer Bonds					
2006 4.50% - \$322,000	305,541	0	3,749	301,792	3,918
<b>Total General Obligation Bonds</b>	<b>3,266,725</b>	<b>0</b>	<b>209,327</b>	<b>3,057,398</b>	<b>215,875</b>
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth					
Improvement 1993 5.00% - \$825,000	632,800	0	16,500	616,300	17,300
FHA Bonds - Lucasville Phase II					
1995 4.50% - \$650,000	512,040	0	12,280	499,760	12,840
FHA Bonds - Lucasville Phase III					
1996 3.86% - \$842,500	678,897	0	15,234	663,663	15,919
FHA Bonds - West Portsmouth					
Phase VII 1999 4.50% - \$825,000	705,810	0	13,070	692,740	13,660
FHA Bonds - Lucasville Phase IV					
2001 4.75% - \$347,940	297,510	0	6,450	291,060	6,760
<b>Total FHA Bonds</b>	<b>2,827,057</b>	<b>0</b>	<b>63,534</b>	<b>2,763,523</b>	<b>66,479</b>
<i><u>OPWC Loans</u></i>					
2002 0% - \$162,352	89,290	0	8,118	81,172	8,118
2004 0% - \$162,100	105,358	0	8,106	97,252	8,106
2006 0% - \$235,543	182,542	0	11,778	170,764	11,778
2006 0% - \$9,482	7,349	0	474	6,875	474
2008 0% - \$201,860	176,628	0	10,093	166,535	10,093
2009 0% - \$165,000	152,625	0	8,250	144,375	8,250
2012 0% - \$181,000	0	45,743	0	45,743	0
<b>Total OPWC Loans</b>	<b>\$713,792</b>	<b>\$45,743</b>	<b>\$46,819</b>	<b>\$712,716</b>	<b>\$46,819</b>

(Continued)

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2011	Additions	Deletions	Principal Outstanding at 12/31/2012	Due Within One Year
<i>Business-Type Activity</i>					
<i>OWDA and USDA Loans</i>					
Minford Area Wastewater Loan 2009 5.47%	\$391,369	\$19,657	\$20,240	\$390,786	\$20,240
Wastewater Design for Minford, Clarktown, Muletown, and Rubyville Loan 2009 0%	350,075	0	0	350,075	0
Edan Park Planning and Design Loan 2009 0%	129,000	0	0	129,000	0
Wastewater System Design Loan For Minford Project 2011 4.53%	352,988	303,248	22,375	633,861	22,375
Eden Park Extension USDA Loan 4.5%	0	367,000	0	367,000	0
Total OWDA and USDA Loans	<u>1,223,432</u>	<u>689,905</u>	<u>42,615</u>	<u>1,870,722</u>	<u>42,615</u>
<i>Other Long-Term Obligations</i>					
Compensated Absences	64,384	22,890	25,463	61,811	42,284
Total Business-Type Activities	<u>\$8,095,390</u>	<u>\$758,538</u>	<u>\$387,758</u>	<u>\$8,466,170</u>	<u>\$414,072</u>

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

	General Obligation		FHA Bonds		OPWC Loans	Totals	
	Bonds						
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
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	250,938	107,966	76,177	118,451	46,819	373,934	226,417
2017	257,784	96,114	79,624	114,903	46,819	384,227	211,017
2018-2022	244,588	398,867	457,820	515,267	234,087	936,495	914,134
2023-2027	304,806	338,650	574,748	398,222	163,026	1,042,580	736,872
2028-2032	379,835	263,634	721,703	251,160	35,765	1,137,303	514,794
2033-2037	473,357	170,093	560,792	82,895	0	1,034,149	252,988
2038-2042	338,367	75,196	83,950	5,709	0	422,317	80,905
2043-2046	125,176	10,033	0	0	0	125,176	10,033
Totals	<u>\$3,057,398</u>	<u>\$1,848,603</u>	<u>\$2,763,523</u>	<u>\$1,861,685</u>	<u>\$666,973</u>	<u>\$6,487,894</u>	<u>\$3,710,288</u>

**NOTE 16 - 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 position because the proceeds were used for the renovation of a building owned by the Southern Ohio Port Authority. 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 STAR, Inc. The final loan payment was made during 2012 from the Board of Developmental Disabilities Special Revenue Fund.

*Riverside Park Loans*

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 was repaid from the General Fund, and was retired in 2012.

During 2011, 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.

During 2011, the County entered into a loan agreement with US Bank for the purchase of a rugged terrain vehicle 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.

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Capital Leases, Compensated Absences, and Claims Obligations

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

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

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

Board of Developmental Disabilities Special Revenue Fund

Sheriff's Policing Rotary Special Revenue Fund

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

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

	Principal Outstanding at 12/31/2011	Additions	Deletions	Principal Outstanding at 12/31/2012	Due Within One Year
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	\$2,165,000	\$0	\$90,000	\$2,075,000	\$100,000
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	4,935,000	0	190,000	4,745,000	200,000
Premium on County Jail Bonds	3,683	0	205	3,478	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	2,420,000	0	235,000	2,185,000	250,000
Total General Obligation Bonds	9,523,683	0	515,205	9,008,478	550,000
<i>Other Long-Term Obligations</i>					
Developmental Disabilities Loan					
1986 3.00% - \$150,000	9,072	0	9,072	0	0
Riverside Park Tractor Loan 2007 4.47% - \$20,566	1,523	0	1,523	0	0
Riverside Park Tractor Loan 2011 2.50% - \$10,808	10,519	0	3,520	6,999	3,609
Riverside Park RTV Loan 2011 2.88% - \$10,835	7,918	0	3,594	4,324	3,698
Capital Leases	2,060,029	96,192	403,177	1,753,044	405,182
Compensated Absences	1,744,170	922,506	1,056,366	1,610,310	1,063,803
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	41,403	122,364	6,699	157,068	157,068
Total Other Long-Term Obligations	3,874,634	1,141,062	1,483,951	3,531,745	1,633,360
Total Governmental Activities	\$13,398,317	\$1,141,062	\$1,999,156	\$12,540,223	\$2,183,360

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

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

	General Obligation		Riverside Park Equipment		Totals	
	Bonds		Loans			
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$550,000	\$464,992	\$7,307	\$210	\$557,307	\$465,202
2014	560,000	440,817	4,016	45	564,016	440,862
2015	590,000	415,253	0	0	590,000	415,253
2016	610,000	387,575	0	0	610,000	387,575
2017	570,000	358,375	0	0	570,000	358,375
2018-2022	2,900,000	1,341,047	0	0	2,900,000	1,341,047
2023-2027	2,465,000	565,324	0	0	2,465,000	565,324
2028-2031	760,000	57,500	0	0	760,000	57,500
Totals	<u>\$9,005,000</u>	<u>\$4,030,883</u>	<u>\$11,323</u>	<u>\$255</u>	<u>\$9,016,323</u>	<u>\$4,031,138</u>

The County's total legal debt margin was \$21,631,832 at December 31, 2012, with an unvoted debt margin of \$8,834,299 at December 31, 2012.

**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, 2012, is \$23,400,000.

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, 2012, is \$1,236,361.

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, 2012, is \$1,210,000.

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, 2012, is \$550,000.

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, 2012, is \$117,650,000.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

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 17 - BOND ANTICIPATION NOTES PAYABLE**

During 2012, the County retired the Commercial Property Acquisition Bond Anticipation Note in the amount of \$162,000 and reissued the note in the amount of \$137,000. The note is presented as a fund liability on the financial statements. The note will mature on September 12, 2013.

During 2012, the County retired the Various Purpose Bond Anticipation Note in the amount of \$375,000 and reissued the note in the amount \$350,000. The note is presented as a fund liability on the financial statements. The note will mature on September 12, 2013.

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

<i>Types / Issues</i>	<i>Balance at 12/31/11</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance at 12/31/12</i>
<u><i>Governmental Activities</i></u>				
Commercial Property Acquisition				
Bond Anticipation Note				
September 15, 2011 - 3.50% - \$162,000	\$162,000	\$0	\$162,000	\$0
September 13, 2012 - 3.50% - \$137,000	0	137,000	0	137,000
Various Purpose Bond				
Anticipation Note				
September 15, 2011 - 4.75% - \$375,000	375,000	0	375,000	0
September 13, 2012 - 4.75% - \$350,000	0	350,000	0	350,000
Total Governmental Activities	<u>\$537,000</u>	<u>\$487,000</u>	<u>\$537,000</u>	<u>\$487,000</u>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 18 - INTERFUND ACTIVITY**

Interfund balances at December 31, 2012, consist of the following individual fund receivables and payables:

		Receivables					
Payables		General	Public Assistance	Motor Vehicle Gas Tax	Children Services	Nonmajor Governmental Funds	Total
		Public Assistance	\$0	\$0	\$0	\$0	\$18,519
	Nonmajor Governmental Funds	22,215	25,295	62,500	2,691	0	112,701
	<b>Total</b>	<b>\$22,215</b>	<b>\$25,295</b>	<b>\$62,500</b>	<b>\$2,691</b>	<b>\$18,519</b>	<b>\$131,220</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 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.

		Advances To					
Advances From		General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Nonmajor Governmental Funds	Total	
		General	\$0	\$0	\$0	\$350,000	\$350,000
	Public Assistance	0	0	15,439	0	15,439	
	Nonmajor Governmental Funds	22,714	154,600	13,000	0	190,314	
	<b>Total</b>	<b>\$22,714</b>	<b>\$154,600</b>	<b>\$28,439</b>	<b>\$350,000</b>	<b>\$555,753</b>	

**NOTE 18 - INTERFUND ACTIVITY (Continued)**

The General Purpose Bond Fund advanced the General Fund \$500,000 in 2006 which was used for general operating expenditures. As of December 31, 2012, the General Fund had repaid \$150,000 of the advance, leaving a remaining balance of \$350,000 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. Most amounts were repaid during 2012 with the exception of \$15,439 owed to the Board of Developmental Disabilities Fund from the Public Assistance Fund. The Motor Vehicle Gas Tax Fund advanced money to the Hayport Road Bridge Construction Nonmajor Fund. Since the payments have not been moved to the correct funds, the payments are presented as Advances To in the funds that are owed the monies and Advances From in the funds that owe the monies.

Transfers made during the year ended December 31, 2012 were as follows:

		Transfers To		
		Public Assistance	Nonmajor Governmental Funds	Total
Transfers From	General	\$224,833	\$1,154,958	\$1,379,791
	Motor Vehicle Gas Tax	0	5,146	5,146
	Nonmajor Governmental Funds	0	23,912	23,912
	<b>Total</b>	<b>\$224,833</b>	<b>\$1,184,016</b>	<b>\$1,408,849</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 and from nonmajor special revenue funds to nonmajor debt service funds to make debt service payments. A transfer was made from the Motor Vehicle Gas Tax Special Revenue Fund to the County Sign Upgrade Special Revenue Fund to purchase supplies and equipment.

**NOTE 19 - 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 19 - 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 2012.

**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 2012; 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 2012.

**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 \$13,515 to the Commission during the year.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

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

The Scioto County Community Action Organization (CAO) is an IRS 502C3 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 2012, 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 2012, 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 2012.

**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 \$91,067 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 19 - 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 had been maintained by Lawrence County. In November 2012, Scioto County became the permanent fiscal agent for the District.

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 member's 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 \$151,583 as of December 31, 2012. Complete financial statements can be obtained from the Scioto County Auditor's Office at 602 7<sup>th</sup> Street, Portsmouth, OH 45662.

**NOTE 20 - 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 2012 was \$372,281. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

**NOTE 21 – 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 22 - CONTRACTUAL COMMITMENTS**

As of December 31, 2012, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2012
<i>GIS Photos - Woolpert, Inc.</i>	\$85,112	\$0	\$85,112
<i>Website Upgrade - Manatron</i>	6,200	0	6,200
<i>Eden Park Sanitary Sewer Project - Strand &amp; Associates</i>	450,500	366,062	84,438
<i>Eden Park Sanitary Sewer Project - J &amp; H Reinforcing</i>	2,334,911	0	2,334,911
<i>Minford Sewer Extension - EMH&amp;T</i>	3,958,000	2,276,971	1,681,029
Total	<u>\$6,834,723</u>	<u>\$2,643,033</u>	<u>\$4,191,690</u>

**NOTE 23 - 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, 2012, to December 31, 2012, 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 24 - 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 2012, these contributions were \$163,550.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

**NOTE 24 - RELATED PARTY TRANSACTIONS (Continued)**

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 2012, these contributions were \$54,248.

**NOTE 25 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other nonmajor governmental funds are presented on the following page:

Fund Balances	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>							
Prepays	\$93,226	\$121,658	\$0	\$153,554	\$3,933	\$20,810	\$393,181
Materials and							
Supplies Inventory	9,944	6,261	272,445	0	0	1,465	290,115
Unclaimed Monies	201,858	0	0	0	0	0	201,858
Advances to Other Funds	22,714	0	0	0	0	0	22,714
<b><i>Total Nonspendable</i></b>	<b>327,742</b>	<b>127,919</b>	<b>272,445</b>	<b>153,554</b>	<b>3,933</b>	<b>22,275</b>	<b>907,868</b>
<b><i>Restricted for</i></b>							
Human Service Programs	0	1,675,199	0	0	0	1,484,718	3,159,917
Public Works	0	0	2,645,596	0	0	0	2,645,596
Health Programs	0	0	0	3,328,534	1,283,895	182,886	4,795,315
Judicial Programs	0	0	0	0	0	342,332	342,332
Public Safety Programs	0	0	0	0	0	2,802,518	2,802,518
Economic Development and Assistance	0	0	0	0	0	720,530	720,530
Other Purposes	0	0	0	0	0	1,554,562	1,554,562
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,675,199</b>	<b>2,645,596</b>	<b>3,328,534</b>	<b>1,283,895</b>	<b>7,087,546</b>	<b>16,020,770</b>
<b><i>Committed to</i></b>							
Judicial Programs	0	0	0	0	0	324,741	324,741
<b><i>Assigned to</i></b>							
Debt Service	1,185	0	0	0	0	11,646	12,831
Unpaid Obligations	251,645	0	0	0	0	0	251,645
Public Safety Programs	41,570	0	0	0	0	0	41,570
Other Purposes	22,692	0	0	0	0	0	22,692
<b><i>Total Assigned</i></b>	<b>317,092</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,646</b>	<b>328,738</b>
<b><i>Unassigned (Deficit)</i></b>	<b>3,388,336</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,025)</b>	<b>3,384,311</b>
<b><i>Total Fund Balances</i></b>	<b>\$4,033,170</b>	<b>\$1,803,118</b>	<b>\$2,918,041</b>	<b>\$3,482,088</b>	<b>\$1,287,828</b>	<b>\$7,442,183</b>	<b>\$20,966,428</b>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012

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**NOTE 26 - 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 27 – SUBSEQUENT EVENTS**

After year-end, the County entered into the following contractual obligations:

Contractor	Contract Amount	Purpose
Five Star Commercial Roofing Inc.	\$99,990	Court House Roof Replacement
Five Star Commercial Roofing Inc.	23,000	Court House Roof Replacement
Professional Fence	24,960	Jail Fencing
Greve Chrysler Jeep Dodge Inc.	259,336	Police Cruisers
American Permanents Inc.	19,450	Pavement Markings
Reiser Construction	238,900	Mackletree Bridge Replacement
DGM Inc.	246,000	Millers Run-Fallen Timber Road Bridge Replacement
US Bridge	345,235	Diehlman Bridge Replacement

In September 2013, the County renewed its \$137,000 short-term note payable, repaying \$25,000 and issuing a new note for \$112,000. This note has an interest rate of 5% and a maturity date of September 11, 2014.

In September 2013, the County fully repaid its \$350,000 short-term note payable.

**NOTE 28 - 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 position 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, 2012, follows:

Machinery and Equipment	\$278,187
Less: Accumulated Depreciation	<u>(207,046)</u>
Total Capital Assets (Net)	<u><u>\$71,141</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 proprietary 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, 2012

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**NOTE 28 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Capital Assets - A summary of the Scioto County Airport Authority's capital assets at December 31, 2012, follows:

Land	\$365,737
Construction in Progress	21,436
Land Improvements	1,050,012
Buildings	1,746,813
Machinery and Equipment	167,709
Vehicles	95,500
Less: Accumulated Depreciation	<u>(1,217,118)</u>
Total Capital Assets (Net)	<u><u>\$2,230,089</u></u>

**Scioto County**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2012**

<u>FEDERAL GRANTOR/Pass Through Grantor/Program Title</u>	Pass Through Entity 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 Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0110	10.561	\$389,183
<i>Passed through Ohio Water Development Authority</i>			
ARRA - Water and Waste Disposal Systems for Rural Communities	5903	10.781	<u>463,296</u>
<b>Total U.S. Department of Agriculture</b>			<b>852,479</b>
<b><u>UNITED STATES DEPARTMENT OF COMMERCE</u></b>			
<i>Direct from the Economic Development Administration</i>			
Economic Adjustment Assistance	N/A	11.307	<u>461,041</u>
<b>Total U.S. Department of Commerce</b>			<b>461,041</b>
<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	12.118	<u>90,925</u>
<b>Total U.S. Department of Defense</b>			<b>90,925</b>
<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-10-1CP-1	14.228	19,618
Community Development Program	B-F-11-1CP-1		296,984
Community Housing Improvement Program	B-C-10-1-CP-1		62,188
Economic Development Program	B-E-07-1CP-1		214,542
CDBG Revolving Loan	N/A		10,179
<i>Passed through Vinton County, Ohio:</i>			
Neighborhood Stabilization Program (NSP-1)	B-Z-08-075-1	14.228	<u>4,000</u>
Total Community Development Block Grants/State's Program			607,511
<i>Passed through Ohio Department of Development:</i>			
Home Investment Partnerships Program	B-C-10-1-CP-2	14.239	239,389
<i>Passed through Gallia-Meigs Community Action Agency</i>			
ARRA - Neighborhood Stabilization Program (NSP-2)	N-U-09-833-1	14.256	<u>14,795</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>861,695</b>
<b><u>UNITED STATES DEPARTMENT OF THE INTERIOR</u></b>			
<i>Direct from the Federal Government</i>			
Payments in Lieu of Taxes	N/A	15.226	<u>3,967</u>
<b>Total U.S. Department of the Interior</b>			<b>3,967</b>
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Direct from the United States Department of Justice Bureau, of Justice Assistance</i>			
Bulletproof Vest Partnership Program	N/A	16.607	4,206
<i>Direct from the United States Marshals Service</i>			
Equitable Sharing Program	N/A	16.922	53,336
Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster:			
<i>Passed through the City of Portsmouth, Ohio</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SB-B9-0988	16.804	<u>1,148</u>
Total Passed Through The City of Portsmouth, Ohio			1,148
<i>Passed through the Ohio Department of Public Safety, Office of Criminal Justice</i>			
Residential Substance Abuse Treatment for State Prisoners	2011-RS-SAT-145	16.593	47,279
Edward Byrne Memorial Justice Assistance Grant Program	2009-JG-COV-V6885	16.738	24,567
	2011-JG-A02-6611		<u>12,323</u>
			<u>36,890</u>
Total Passed Through The Ohio Department of Public Safety, Office of Criminal Justice			<u>84,169</u>
Total Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster			<u>85,317</u>
<b>Total U.S. Department of Justice</b>			<b>142,859</b>

**Scioto County**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2012**

<b>FEDERAL GRANTOR/Pass Through Grantor/Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-1511	20.106	\$19,455
	3-39-0069-1612		23,187
Total Airport Improvement Program			42,642
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID90511	20.205	49,867
	PID92790		300,000
	PID92742		22,315
	PID85682		881,760
	PID91537		80,996
	PID92306		39,446
Total Highway Planning and Construction			1,374,384
Formula Grants for Other Than Urbanized Areas	RPT-4073-029-111	20.509	1,791
	RPT-4073-031-121		290,839
	RPT-0073-032-122		74,559
			367,189
ARRA- Formula Grants for Other Than Urbanized Areas	RPTS-0073-001-093	20.509	23,285
Total Formula Grants for Other Than Urbanized Areas			390,474
<i>Total Passed Through Ohio Department of Transportation</i>			
			1,764,858
<i>Passed Through Ohio Department of Public Safety, Office of Criminal Justice Services</i>			
State and Community Highway Safety	HVEO-2012-73-00-00-00344-00	20.600	24,940
	HVEO-2013-73-00-00-00380-00		5,494
Total State and Community Highway Safety			30,434
<b>Total U.S. Department of Transportation</b>			<b>1,837,934</b>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education- Grants to States	078063-6BSF-2012	84.027	47,159
	078063-6BSF-2013		20,093
Total Special Education- Grants to States			67,252
Special Education- Preschool Grants	078063-PGS1-2012	84.173	8,240
Total Special Education- Preschool Grants			8,240
Total Special Education Cluster			75,492
Total Passed through the Ohio Department of Education			75,492
<i>Passed through Ohio Department of Health</i>			
Special Education-Grants for Infants and Families	73-1-001-1-IHO-112	84.181	32,760
	73-1-001-1-IHO-213		18,630
Total Special Education - Grants for Infants and Families			51,390
Total Passed through the Ohio Department of Health			51,390
<b>Total United States Department of Education</b>			<b>126,882</b>
<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	1,747
<b>Total U.S. Election Assistance Commission</b>			<b>1,747</b>
<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	2,699
<i>Passed through the Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	G-1213-11-0111	93.556	54,228
Child Support Enforcement	G-1213-11-0110	93.563	626,596
Child Welfare Services-State Grants	G-1213-11-0111	93.645	52,452
Foster Care Title IV-E	G-1213-11-0111	93.658	640,534
Adoption Assistance	G-1213-11-0111	93.659	259,292
Chafee Foster Care Independence Program	G-1213-11-0111	93.674	28,063
Social Services Block Grant	G-1213-11-0110	93.667	440,403
SCHIP	G-1213-11-0110	93.767	6,397

**Scioto County  
Schedule of Federal Awards Expenditures  
For the Year Ended December 31, 2012**

<b>FEDERAL GRANTOR/Pass Through Grantor/Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
Temporary Assistance for Needy Families (TANF)	G-1213-11-0110/G-1213-11-0111	93.558	\$2,958,910
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	G-1213-11-0110	93.575	98,469
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0110	93.596	50,084
Total Child Care and Development Fund Cluster			<u>148,553</u>
Medical Assistance Program	G-1213-11-0110/G-1213-11-0111	93.778	<u>947,367</u>
Total Passed through the Ohio Department of Job and Family Services			6,162,795
<i>Passed through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	2012	93.667	48,960
Medical Assistance Program - Medicaid Administrative Claiming (MAC)	N/A	93.778	<u>174,458</u>
Total Passed through the Ohio Department of Developmental Disabilities			223,418
<i>Passed through Ohio Department of Health</i>			
Universal Newborn Hearing Screening	73-1-001-1-IHO-112 73-1-001-1-IHO-213	93.251	9,787 <u>3,338</u> 13,125
CDC_ Investigations, Technical Assistance, and Affordable Care Act Projects	73-1-001-1-IHO-112 73-1-001-1-IHO-213	93.283	1,888 <u>844</u> 2,732
Maternal and Child Health Service Block Grant to the States	73-1-001-1-IHO-112 73-1-001-1-IHO-213	93.994	132 <u>4,740</u> 4,872
Total Maternal and Child Health Service Block Grant to the States			<u>20,729</u>
<b>Total United States Department of Health and Human Services</b>			<b>6,409,641</b>
<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	G10OH0001A G11OH0001A	95.001	1,549 <u>23,591</u>
<b>Total U.S. Executive Office of the President</b>			<b>25,140</b>
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Emergency Management Agency, Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4002-DR-145-05957	97.036	328,907
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2011-EP-00003-S01 EMW-2012-EP-00004-S01	97.042	27,483 <u>9,082</u> 36,565
Total Emergency Management Performance Grants			<u>36,565</u>
Homeland Security Grant Program	2009-SS-T9-0089 EMW-2011-SS-00070	97.067	14,740 <u>43,026</u> 57,766
Total Homeland Security Grant Program			<u>57,766</u>
Total Passed through the Ohio Emergency Management Agency			<u>94,331</u>
<b>Total U.S. Department of Homeland Security</b>			<b>423,238</b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u><u>\$11,237,548</u></u></b>

See accompanying notes to the schedule of federal awards expenditures.

**Scioto County Financial Condition**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2012*

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**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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**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 2012 is as follows:

Beginning loans receivable balance as of January 1, 2012	\$61,210
Loans made	0
Loans written off	(4,506)
Loan principal repaid	(3,975)
Ending loans receivable balance as of December 31, 2012	52,729
Cash balance on hand in the revolving loan fund as of December 31, 2012	5,788
Administrative costs expended during 2012	660
Total value of RLF portion of the CDBG Program	59,177
2012 RLF expenditure of grant to Infra-Metals for Off-site Infrastructure Project	9,519
Other grants administered through the CFDA # 14.228 Program	597,332
Total CDBG CFDA # 14.228 Program	\$660,028
Delinquent Amounts Due as of December 31, 2012	\$52,729

The table above reports gross loans receivable. 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, 2012 was \$6,759. There were no receipts or expenditures from the account during 2012.

**NOTE C – MATCHING REQUIREMENTS**

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

**Scioto County Financial Condition**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2012*

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**NOTE D – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES (DODD) ADJUSTMENT**

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds for the Medicaid program (CFDA #93.778) in the amount of \$625 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage for four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule since the underlying expenses occurred in prior reporting periods.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Commissioners  
Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 29, 2013, wherein we noted the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and on August 19, 2009, the Auditor of State determined a fiscal emergency existed at the County and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Revised Code.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-3.

Scioto County, Ohio

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2 and 2012-3.

### **County's Responses to Findings**

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

October 29, 2013

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Commissioners  
Scioto County  
602 Seventh Street  
Portsmouth, Ohio 45662

**Report on Compliance for Each Major Federal Program**

We have audited Scioto County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

**Basis for Qualified Opinion on Economic Adjustment Assistance and Community Development Block Grants/State's Program Major Federal Programs**

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA #11.307 Economic Adjustment Assistance as described in finding 2012-4 for Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions and finding 2012-5 for Reporting, and regarding CFDA #14.228 Community Development Block Grants/State's Program as described in finding 2012-6 for Activities Allowed and Unallowed and Allowable Costs/Cost Principles, finding 2012-7 for Cash Management, finding 2012-8 for Special Tests and Provisions, and finding 2012-9 for Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

**Qualified Opinion on Economic Adjustment Assistance and Community Development Block Grants/State's Program Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Adjustment Assistance and Community Development Block Grants/State's Program major federal programs for the year ended December 31, 2012.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2012.

**Other Matters**

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-10. Our opinion on each major federal program was not modified with respect to this matter.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may not exist that were not identified. 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-4 through 2012-9 to be material weaknesses.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA  
President/Owner  
Millhuff-Stang, CPA, Inc.

October 29, 2013

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Qualified for Economic Adjustment Assistance (CFDA #11.307) and Community Development Block Grants/State's Program (CFDA #14.228)  Unmodified for all others
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Economic Adjustment Assistance (CFDA #11.307), Community Development Block Grants/State's Program (CFDA #14.228), State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CDEA #10.561), Temporary Assistance for Needy Families (TANF) (CFDA #93.558), Social Services Block Grant (CFDA #93.667), Medical Assistance Program (CFDA #93.778), Child Care and Development Fund Cluster (CFDA #93.575 and #93.596), ARRA - Water and Waste Disposal Systems for Rural Communities (CFDA #10.781)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$337,126 Type B: all others
Auditee qualified as low-risk auditee?	No

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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**Section II – Financial Statement Findings**

**Finding 2012-1**

**Noncompliance/ Material Weakness – Not Adjusted from Previous Audit**

Ohio Revised 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 Revised 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 Revised 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 26 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 (advances to other funds) in the General Purpose Bond Retirement Fund (413) and an interfund payable (advances from other funds) 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. On September 8, 2011, the County made an additional payment of \$25,000 and refinanced the remaining \$375,000 into a new note. September 13, 2012, the County made an additional payment of \$25,000 and refinanced the remaining \$350,000 into a new note.

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 Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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**Finding 2012-1 (Continued)**

**Noncompliance/Material Weakness – Not Adjusted from Previous Audit (Continued)**

**Client Response:**

The bond was paid in full on September 12, 2013.

**Finding 2012-2**

**Noncompliance – Negative Fund Balances**

Ohio Revised Code 5705.10(H) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. The County had one negative fund balance at the end of March 2012. The Juvenile Detention Center Fund had a negative balance of \$827,611. This negative balance was corrected by year-end. The County should implement the appropriate procedures to ensure that money paid into a fund is used only for the purposes for which the fund has been established.

**Client Response:**

The deficit in the Juvenile Detention Center Fund as of March 2012 was a result of the fiscal emergency condition which has existed within the County for a number of years. The County's financial condition has improved significantly, and the County was able to fully correct this deficit by the end of 2012.

**Finding 2012-3**

**Noncompliance/Material Weakness – Payroll Taxes , Internal Controls & Financial Monitoring – STAR, Inc.**

Sound internal controls are an integral part of an organization for the prevention and/or detection of errors, irregularities, and/or fraud. Lack of sufficient internal controls, including financial monitoring, could result in errors, irregularities, and/or fraud going undetected for a period of time.

While performing audit procedures, we noticed the following deficiencies in internal controls:

- Canceled checks were not being obtained and/or reviewed
- Lack of monitoring the use of computerized signatures
- Lack of monitoring of credit card purchases and payment of invoices
- Inaccurate bank reconciliations; lack of review of reconciliations
- Lack of monitoring the payroll account balance, which led to significant NSF and overdraft charges
- Lack of monitoring of payroll tax remittances, which led to delinquent taxes
- Untimely deposits
- Financial reports provided to the Board were inaccurate

Additionally, 26 CFR Section 3102(b) states that every employer shall collect from each of his employees the employee tax with respect to wages for employment performed for the employer by the employee. The employer shall make the collection by deducting or causing to be deducted the amount of the employee tax from such wages as and when paid. The employer is required to collect the tax, notwithstanding the wages are paid in something other than money, and to pay over the tax in money.

The only payroll taxes remitted in 2012 were for the 2<sup>nd</sup> quarter 941. This resulted in unnecessary fines and penalties. In addition to the failure to remit the appropriate taxes, we also noted that the corresponding Form 941 for the 2<sup>nd</sup> quarter remittance could not be provided for audit.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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**Finding 2012-3 (Continued)**

**Noncompliance/Material Weakness – Payroll Taxes , Internal Controls & Financial Monitoring – STAR, Inc.**

STAR, Inc. management should modify current processes and procedures to ensure adequate controls are in place to prevent and/or detect errors, irregularities and/or fraud. The following suggested procedures should be implemented into the internal control structure:

- All invoices should be reviewed prior to payment to ensure the goods or services were received and were for a proper purpose. These invoices should be initialed or signed to indicate this review.
- Individual credit card charges should be matched to the receipt to ensure the goods were received and were for a proper purpose. The credit card statement should only be paid once this has been completed.
- Computerized signatures should be monitored for use. All checks printed should be reviewed prior to mailing. Evidence of this review should be maintained.
- The general and payroll bank account should be reconciled on a monthly basis. Any unreconciled differences should be investigated and resolved. Additionally, the reconciliation should be reviewed by an individual that is not involved in the receipting or disbursing process. Part of this procedure should be reviewing the statement itself for unnecessary charges such as nonsufficient fund and overdraft charges. Additionally, the canceled checks should be reviewed to ensure proper payee and endorsement.
- Payment to taxing agencies should be monitored to ensure timely and accurate payment is made. Forms 941, for instance, should be reconciled back to payroll ledgers to ensure the payment is accurate.
- Deposits should be made timely. If deposits are unable to be made the following business day, a policy should be developed to allow for additional days and address how monies will be safeguarded.
- The Board should monitor the financial activity on a monthly basis. The Board should meet regularly and obtain accurate financial reports to review.

Management and the Board should address the above suggestions as soon as possible in order to mitigate the risk of error, irregularities and/or fraud.

**Client Response:**

As of April 2013, Star Inc. has adopted several new policies and procedures to correct issues and deficiencies within the agency's internal control system. Under these new procedures, all incoming bills and vendor invoices are to be stamped with the date and the name of the person receiving it. These items are now forwarded on the director to be reviewed and approved to ensure that they are paid for the proper purposes. All checks issued by Star Inc. are now being prepared by the bookkeeper and forwarded to the director for review and required signatures. All supporting documentation will accompany the checks to ensure that checks are for proper payments of invoices. There are to be no handwritten checks. All checks will be printed from the company Quickbooks file, thus creating an electronic footprint.

As of July of 2013, Star Inc. added additional procedures to reduce the chances of additional issues arising. The 2 checking accounts owned by the company are now being reconciled within 3 business days of receiving the monthly statements. These statements are then forwarded to Chamberlin CPA Services to be examined as part of the monthly review process. These statements will have copies of the checks to ensure that the payee on the checks matches to the corresponding entry in the Quickbooks file. The payroll tax filings are now being prepared by Chamberlin CPA Services. During preparation of the required quarterly forms, Chamberlin's will review all payroll tax deposits recorded in the Quickbooks file to online payment histories to ensure proper deposits have been made. Any discrepancies will be relayed to the director for review and resolution. The new procedures now require all funds received by Star Inc. to be deposited by the end of the next business after they were received. Funds received are to be deposited on the day they were received, if possible. However, the next business day is acceptable if the monies were received late in the day. The Board will now receive monthly Profit and Loss statements that cover months that have been reconciled and review by the CPA office. Any issues with the statements will be addressed before the following board meeting. All credit card statement charges are now being matched to the receipt for the charge. This is to ensure no unauthorized use of the company credit cards.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

**Section III – Federal Award Findings and Questioned Costs**

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

**Finding 2012-4**

**Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles/Special Tests and Provisions**

13 C.F.R. Section 307.12(a) states that all Revolving Loan Fund (RLF) income must be placed into the RLF capital base for the purpose of making loans or payment for eligible and reasonable costs associated with the RLF’s operations. RLF income may fund administrative costs, provided:

- Such RLF income and the administrative costs are incurred in the same six-month reporting period;
- RLF income that is not used for administrative costs during the six-month reporting period is to be made available for lending activities;
- RLF income shall not be withdrawn from the RLF capital base in a subsequent reporting period for any purpose other than lending without the prior written consent of EDA; and
- The RLF recipient completes an RLF Income and Expense Statement as required under 13 C.F.R. Section 307.14(c).

For the period of October 1, 2011 through March 31, 2012, administrative expenses exceeded RLF income by \$1,187. For the period of April 1, 2012 through September 30, 2012, administrative expenses exceeded RLF income by \$5,484. This resulted in \$6,671 of RLF capital for lending being used for administrative expenses without prior approval of the EDA which is considered unallowable and are considered questioned costs as well.

The County’s RLF Manager should monitor administrative expenses to ensure that they do not exceed RLF income. If it becomes apparent that this may occur, the County’s RLF Manager should obtain written consent from EDA to use the RLF capital to cover the administrative expenses.

**Corrective Action/Client Response:**

Through an audit resolution determination, the Economic Development Administration determined from October 1, 2010 March 31, 2011, administrative expenses were \$2,759. From April 1, 2011 to September 30, 2011, administrative expenses were \$18,798. The County indicated to EDA that approximately \$15,000 of the \$21,553 was for payroll and other non-RLF related expenses. The County and EDA came to a resolution that the County would pay back \$15,000 of the \$21,553. EDA allowed the expenses for funding security equipment that was required due to a break in. The check for \$15,000 was sent on August 6, 2013. The County will ensure in the future that written consent from EDA will be obtained before RLF funds will be used for administrative expenses.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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

**Finding 2012-5**

**Noncompliance/Material Weakness – Reporting**

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. 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.

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 any semi-annual reports for the audit period. 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 reports 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. The County’s RLF Manager should obtain written extensions from the 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 to attempt to get these up to date as soon as possible.

**Corrective Action/Client Response:**

Staff will work diligently to update the RLF reports so Scioto County can get back in compliance with the Economic Development Administration Revolving Loan Program.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program, CFDA #14.228
<b>Federal Award Number and Year</b>	B-E-07-1CP-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2012-6**

**Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles**

OMB Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect for Federal awards. OMB Circular A-87, Attachment A, Paragraph C.1 outlines the guidance for an expenditure to be allowable under Federal awards. It states costs must meet the following general criteria to be allowable:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Appendix A, paragraph C.2 for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Appendix A, paragraph C.3 for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Appendix A, paragraph C.4 for additional information on applicable credits.)
- (j) Be adequately documented.

Also, Section 25.i of the State of Ohio Small Cities Community Development Block Grant (CDBG) Agreement, states that any rights, duties, or obligations described in the agreement shall not be assigned, subcontracted, or subgranted by the Grantee without prior expressed written consent of the Grantor. This section thus, prohibits the County from having subrecipients of their CDBG grants or giving any obligations they have to another entity for the CDBG grants.

However, the County entered into agreements (without prior approval of the Ohio Department of Development) with Southern Ohio Port Authority where the County paid the entity directly and the entity then took care of the bidding process and payment of the contractors themselves. The County made payments in total of \$214,542 to Southern Ohio Port Authority. This is unallowable per the County's grant agreement and therefore considered questioned costs.

The County should not enter into any subrecipient relationship with entities. All expenditures for projects should be handled directly by the County and paid directly to the contractors to be compliant with their grant agreement.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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**Finding 2012-6 (Continued)**

**Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles (Continued)**

**Corrective Action/Client Response:**

Future grants will get prior approval from ODOD. The County has a new administrator and coordinator for this program.

<b>CFDA Title and Number</b>	Community Development Block Grants/State’s Program, CFDA #14.228
<b>Federal Award Number and Year</b>	B-F-11-1CP-1 and B-C-10-1CP-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2012-7**

**Noncompliance/Material Weakness – Cash Management**

24 C.F.R. Section 85.21 subsection (c) 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 (h)(2)(i), except for interest earned on advances of funds exempt under the Intergovernmental Cooperation 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 County did not disburse the balance of draw downs to a balance of less than \$5,000 within fifteen days.

The County should 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.

**Corrective Action/Client Response:**

The County makes every effort to disburse funds within fifteen days. However, with contract deadlines and draw time it is difficult to be compliant with both contract and grant agreement. The County has a new administrator and coordinator for this program.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program, CFDA #14.228
<b>Federal Award Number and Year</b>	B-F-09-1CP-1, B-F-10-1CP-1, B-F-11-1CP-1, B-C-10-1CP-1, B-E-07-1CP-1, B-Z-08-075-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2012-8**

**Noncompliance/Material Weakness – Special Tests and Provisions**

24 C.F.R. Sections 91.115 and 570.486 require, prior to the submission to United States Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to HUD that it has met the citizen participation requirements.

The Housing and Economic Recovery Act of 2008 (HERA) provided for supersession of the citizen participation requirement to expedite the distribution of Neighborhood Stabilization Program (NSP) grant funds and to provide for expedited citizen participation. The provisions of 24 CFR Sections 570.485 and 570.486 with respect to following the citizen plan are waived to allow the jurisdiction to provide no fewer than 15 calendar days for citizen comment, rather than 30 days, for its initial NSP submission (Section II.B.4 of NSP Notice, 73 FR 58334).

The County could not provide a copy of their Citizen Participation Plan.

The County should develop a Citizen Participation Plan in accordance with the guidance stated above. Furthermore, the County should maintain a copy of the plan.

**Corrective Action/Client Response:**

A citizens participation plan has been implemented and on file. Furthermore, public hearings are held twice for this grant. The County has a new administrator and coordinator for this program.

<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program, CFDA #14.228
<b>Federal Award Number and Year</b>	N/A
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2012-9**

**Noncompliance/Material Weakness – Reporting**

The Ohio Department of Development's Office of Housing and Community Partnership (OHCP) Financial Management Guide, Attachment 12 sections (c)(4) and (5) and (f) state, in part, that the unit of general local government is required to submit to OHCP, at least annually, a status report on program income received and expended for the previous 12-month period as well as projected levels of program income for the upcoming 12-month period. Units of general local government administering local revolving funds for economic development activities must report on a semi-annual basis using the Semi-Annual RLF Status Report.

During testing of the schedule of federal awards expenditures and the Community Development Block Grant program, discrepancies in the balances in the Revolving Loan Fund were noted. The County Auditor records revolving loan activity in Fund 211. The County Revolving Loan Fund (RLF) Manager also records activity separately using a Semi-Annual Report which reflects beginning balance, receipts, disbursements and ending balance for a six month period. The RLF Manager prepared the semi-annual report for the first half of 2012.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2012*

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**Finding 2012-9 (Continued)**

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

However, this report was not in agreement with the County Auditor’s records. Furthermore, we noted that the County did not file a semi-annual report for the second half of 2012.

The RLF Manager and the County Auditor’s Office at Scioto County should correspond to review the discrepancies in reporting and make the necessary adjustment to accurately report the Revolving Loan Fund balances at both departments. Furthermore, the County should implement the appropriate procedures to ensure that semi-annual reports are properly, accurately, and timely submitted to the Office of Community Development as required.

**Corrective Action/Client Response:**

The County Commissioners office is currently working with the state to complete the CDBG RLF Semi-Annual Report. The report should be complete and submitted to the state by November 15, 2013.

<b>CFDA Title and Number</b>	Economic Adjustment Assistance, CFDA #11307; Community Development Block Grants/State’s Program, CFDA #14.228; State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA #10.561; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Social Services Block Grant, CFDA #93.667; Medical Assistance Program, CFDA #93.778; Child Care and Development Fund Cluster, CFDA #93.575 and #93.596; ARRA – Water and Waste Disposal Systems for Rural Communities, CFDA #10.781
<b>Federal Award Number and Year</b>	N/A
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2012-10**

**Noncompliance – Nine Month Single Audit Submission Deadline**

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The County’s single audit was not completed by the required deadline. The County should implement the appropriate procedures to ensure that the appropriate deadlines are met.

**Corrective Action/Client Response:**

The County understands the requirement for the audit to be completed and submitted to the appropriate parties by September 30. The County has been informed by both the IPA firm conducting the audit and the office of the Auditor of State that the delay in the completion of the audit report is a result of issues identified during the course of the audit. At this point, the timetable for completion of the audit report is out of the hands of the County. There is nothing that the County could have done to speed up this process, as the procedures and timetable are solely at the discretion of the Auditor of State. The completion date of the final report is in the hands of the Auditor of State and the IPA firm conducting the audit. Had the County had control over the report completion date, every effort would have been made to have the report completed by the September 30 deadline.

**Scioto County Financial Condition**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2012*

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>
Finding 2011-01	Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit	No	Reissued as Finding 2012-1
Finding 2011-02	Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit	Yes	
Finding 2011-03	Noncompliance Citation/Material Weakness/Questioned Costs – Improperly Allocated Rental Charges – JFS and USDA Programs	Yes	
Finding 2011-04	Noncompliance Citation/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles – EAA Program	No	Reissued as Finding 2012-4
Finding 2011-05	Noncompliance Citation/Material Weakness – Reporting – EAA Program	No	Reissued as Finding 2012-5
Finding 2011-06	Noncompliance Citation/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles – CDBG Program	No	Reissued as Finding 2012-6
Finding 2011-07	Noncompliance Citation/Material Weakness – Cash Management – CDBG Program	No	Reissued as Finding 2012-7
Finding 2011-08	Noncompliance Citation/Material Weakness – Special Tests and Provisions – CDBG Program	No	Reissued as Finding 2012-8

**Scioto County Financial Condition**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2012*

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Finding 2011-09	Material Weakness – Reporting – CDBG Program	No	Reissued as Finding 2012-9
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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 23, 2014