

Financial Condition  
Scioto County  
Single Audit  
For the Year Ended December 31, 2013



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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, 2013 through December 31, 2013. 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. .

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".

Dave Yost  
Auditor of State

September 10, 2014

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**Scioto County, Ohio**  
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*For the Year Ended December 31, 2013*

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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, 2013, 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, 2013, 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.

### ***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.

The schedule of expenditures of federal awards 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 June 30, 2014 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, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 30, 2014

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
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, 2013.

**FINANCIAL HIGHLIGHTS**

The County's total net position increased \$5,821,975 during 2013. Net position of governmental activities increased \$4,368,051. Net position of the business-type activity increased \$1,453,924.

General revenues of governmental activities accounted for \$20,764,518. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$33,339,328.

The Sewer Enterprise Fund reflected operating income of \$873,987.

The County had \$49,735,795 in expenses related to governmental activities; \$33,339,328 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 \$20,764,518 were more than adequate to provide for these programs. The County had \$2,805,138 in expenses related to its business-type activity; all of which were offset by program specific charges for services and sales along with 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. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column.

**REPORTING THE COUNTY AS A WHOLE**

*Statement of Net 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, 2013  
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 2013 compared to 2012.

**SCIOTO COUNTY, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2013**  
**Unaudited**

Table 1  
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and						
Other Assets	\$37,358,295	\$35,458,365	\$4,518,124	\$4,263,973	\$41,876,419	\$39,722,338
Investment in						
Joint Venture	174,474	151,583	0	0	174,474	151,583
Capital Assets,						
Net of Depreciation	85,648,234	83,996,762	20,585,772	18,432,126	106,234,006	102,428,888
Total Assets	<u>123,181,003</u>	<u>119,606,710</u>	<u>25,103,896</u>	<u>22,696,099</u>	<u>148,284,899</u>	<u>142,302,809</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>45,263</u>	<u>56,580</u>	<u>45,263</u>	<u>56,580</u>
<b>Liabilities</b>						
Current and Other Liabilities	1,981,226	2,138,525	785,057	239,239	2,766,283	2,377,764
Long-Term Liabilities:						
Due Within						
One Year	2,131,750	2,183,360	454,779	414,072	2,586,529	2,597,432
Due in More Than One Year	<u>9,618,264</u>	<u>10,356,863</u>	<u>8,408,129</u>	<u>8,052,098</u>	<u>18,026,393</u>	<u>18,408,961</u>
Total Liabilities	<u>13,731,240</u>	<u>14,678,748</u>	<u>9,647,965</u>	<u>8,705,409</u>	<u>23,379,205</u>	<u>23,384,157</u>
Deferred Inflows of Resources	<u>6,230,285</u>	<u>6,076,535</u>	<u>0</u>	<u>0</u>	<u>6,230,285</u>	<u>6,076,535</u>
<b>Net Position</b>						
Net Invested in Capital Assets	77,409,698	75,147,783	11,414,819	10,001,921	88,824,517	85,149,704
Restricted for:						
Debt Service	9,687	264,164	0	0	9,687	264,164
Capital Projects	643,702	17,612	0	0	643,702	17,612
Other Purposes	18,768,811	19,678,962	0	0	18,768,811	19,678,962
Unrestricted	<u>6,387,580</u>	<u>3,742,906</u>	<u>4,086,375</u>	<u>4,045,349</u>	<u>10,473,955</u>	<u>7,788,255</u>
Total Net Position	<u>\$103,219,478</u>	<u>\$98,851,427</u>	<u>\$15,501,194</u>	<u>\$14,047,270</u>	<u>\$118,720,672</u>	<u>\$112,898,697</u>

Current and other assets of the County's governmental activities increased \$1,899,930. The increase was mainly due to an increase of \$1,846,711 in cash and cash equivalents mostly stemming from the County's General Fund. Along with increases in revenues such as sales taxes, charges for services, and intergovernmental revenues (which contains the County's portion of casino monies), the County continued to monitor General Fund expenses and despite expenses increasing compared to 2012, 2013 revenues outpaced 2013 expenses, thus creating a significant increase in Cash and Cash Equivalents. Capital Assets, Net of Depreciation increased \$1,651,472 due to current year additions and construction in progress exceeding current year deletions and depreciation. The majority of the increase occurred due to additions of various infrastructure assets such as bridge and culvert replacements.

**SCIOTO COUNTY, OHIO**  
**Management's Discussion and Analysis**  
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Total liabilities of the County's governmental activities decreased \$947,508. The decrease in long-term liabilities was due to the debt service payments on the general obligation bonds and capital leases and the County refunding the 1999 Shelton Industries Bonds. Current liabilities also decreased mostly due to the County paying off the Various Purpose Bond Anticipation Note and a reduction of Matured Compensated Absences Payable compared to 2012.

There was an increase in net investment in capital assets for governmental activities of \$2,261,915 primarily due to the addition of various infrastructure assets and the retirement of debt related to capital assets. Total governmental activities net position increased \$4,368,051 due to revenues exceeding non-capitalized expenses.

There was an increase in net investment in capital assets for business-type activity of \$1,412,898. The majority of the increase stemmed from the purchase of land easements associated with the Minford sewer project along with a significant increase in construction in progress associated with the ongoing construction of the Eden Park sewer extension project as well as the Minford sewer project.

Table 2 shows the changes in net assets for the years ended December 31, 2013, and 2012.

Table 2  
**Changes in Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$7,807,306	\$7,304,137	\$3,335,310	\$3,376,931	\$11,142,616	\$10,681,068
Operating Grants and Contributions	23,099,390	22,153,926	0	8,564	23,099,390	22,162,490
Capital Grants and Contributions	2,432,632	1,399,527	890,508	757,452	3,323,140	2,156,979
<b>Total Program Revenues</b>	<b>33,339,328</b>	<b>30,857,590</b>	<b>4,225,818</b>	<b>4,142,947</b>	<b>37,565,146</b>	<b>35,000,537</b>
General Revenues:						
Property Taxes	6,103,098	6,147,110	0	0	6,103,098	6,147,110
Other Local Taxes	407,397	355,016	0	0	407,397	355,016
Sales Tax	11,157,552	10,985,145	0	0	11,157,552	10,985,145
Revenue in Lieu of Taxes	493	240	0	0	493	240
Grants and Entitlements not Restricted to Specific Programs	1,979,504	1,661,814	0	0	1,979,504	1,661,814
Interest	5,341	5,974	0	0	5,341	5,974
Contributions and Donations	64,000	0	0	0	64,000	0
Miscellaneous	1,047,133	1,226,348	33,244	1,318	1,080,377	1,227,666
<b>Total General Revenues</b>	<b>20,764,518</b>	<b>20,381,647</b>	<b>33,244</b>	<b>1,318</b>	<b>20,797,762</b>	<b>20,382,965</b>
<b>Total Revenues</b>	<b>\$54,103,846</b>	<b>\$51,239,237</b>	<b>\$4,259,062</b>	<b>\$4,144,265</b>	<b>\$58,362,908</b>	<b>\$55,383,502</b>

(Continued)

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2013  
Unaudited

Table 2  
Changes in Net Position  
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	\$7,644,800	\$7,646,400	\$0	\$0	\$7,644,800	\$7,646,400
Judicial	2,754,036	2,647,964	0	0	2,754,036	2,647,964
Public Safety:						
Sheriff	5,795,903	5,475,830	0	0	5,795,903	5,475,830
Other	2,606,307	2,371,451	0	0	2,606,307	2,371,451
Public Works	4,672,328	4,690,928	0	0	4,672,328	4,690,928
Health	11,572,908	10,776,741	0	0	11,572,908	10,776,741
Human Services	11,646,104	11,028,895	0	0	11,646,104	11,028,895
Conservation and Recreation	341,095	549,188	0	0	341,095	549,188
Economic Development and Assistance	1,114,135	1,283,266	0	0	1,114,135	1,283,266
Transportation	926,728	848,780	0	0	926,728	848,780
Interest and Fiscal Charges	661,451	802,144	0	0	661,451	802,144
Sewer	0	0	2,805,138	2,953,577	2,805,138	2,953,577
Total Expenses	<u>49,735,795</u>	<u>48,121,587</u>	<u>2,805,138</u>	<u>2,953,577</u>	<u>52,540,933</u>	<u>51,075,164</u>
Increase in Net Position						
Before Special Item	4,368,051	3,117,650	1,453,924	1,190,688	5,821,975	4,308,338
Special Item	0	413,766	0	0	0	413,766
Change in Net Position	<u>4,368,051</u>	<u>3,531,416</u>	<u>1,453,924</u>	<u>1,190,688</u>	<u>5,821,975</u>	<u>4,722,104</u>
Net Position at Beginning of Year	98,851,427	95,320,011	14,047,270	12,856,582	112,898,697	108,176,593
Net Position at End of Year	<u>\$103,219,478</u>	<u>\$98,851,427</u>	<u>\$15,501,194</u>	<u>\$14,047,270</u>	<u>\$118,720,672</u>	<u>\$112,898,697</u>

**Governmental Activities**

The County's direct charges to users of governmental services are \$7,807,306 of total governmental revenues for 2013. 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 \$503,169 due to various reasons.

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 increase is primarily due to increases in State and federal program reimbursements, grants, and subsidies associated with the Board of Developmental Disabilities and Children Services. Capital grants and contributions also increased significantly mostly due to engineering projects associated with the County Engineer.

Sales tax collected by the County comprised \$11,157,552 of total governmental revenues for 2013, which was an increase of \$172,407 from 2012. Proceeds of the permissive sales tax are credited to the General Fund. Grants and Entitlements not Restricted to Specific Programs increased \$317,690 mostly due to the County receiving a full year of collections from the casino revenues.

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Health programs (including the Board of Developmental Disabilities) made up \$11,572,908 of total expenses and increased \$796,167 compared to 2012. This increase was primarily due to increased costs in providing services. Human services (including Public Assistance and Children Services) programs accounted for \$11,646,104 of total expenses for governmental activities. Human services expenses increased \$617,209 in 2013 due to an increase in the costs of the 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 \$1,453,924 during 2013, which was more than the \$1,190,688 increase during 2012. Revenues again outpaced expenses along with the County receiving grant monies associated with various sewer projects, including Eden Park and the Minford projects.

**THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 15. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$54,152,939 and expenditures of \$52,568,461.

The General Fund balance increased \$2,297,038 in 2013. This was due to revenues exceeding non-capitalized expenses, an increase in sales tax revenues, the County receiving additional casino monies during 2013, and increases in charges for services received by some County offices.

The Public Assistance Fund balance decreased \$205,345, which was due to a decrease in funding received from both federal and State sources along with an increase in expenditures.

The Motor Vehicle Gas Tax Fund balance increased \$137,950. This resulted from the County monitoring expenditures compared to revenues during the year.

The Board of Developmental Disabilities Fund balance decreased \$873,998 in 2013. Despite an increase in State and federal funding, expenditures increased and exceeded revenues due to increases in the costs of providing services.

The Children Services Fund balance increased \$11,320, which is not significant.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
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The Sewer Fund reflects operating income of \$873,987 for 2013. 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. During 2013, charges for services decreased \$41,621, which is not significant. Operating expenses decreased \$105,861 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 2013, 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 along with a conservative estimate regarding the County's share of casino monies. Miscellaneous Revenues increased substantially mostly due to unanticipated insurance claims and a refund from the Bureau of Workers Compensation. 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 actual receipts being much higher than originally anticipated.

Total variance from original budget expenditure amounts to the final budget expenditure amounts increased mostly due to filing positions previously left vacant, non-capitalized courthouse repairs and maintenance that was not originally anticipated, and the County repairing the court house roof which was not anticipated in the original budget. The variances 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 construction in progress and depreciable assets of \$172,589 and \$5,239,527, respectively, in the governmental activities were the result of the County replacing a roof on the Public Assistance building along with adding various land improvements, buildings and improvements, equipment, vehicles, and infrastructure assets during 2013.

The additions to land, construction in progress, and depreciable assets consisted of \$454,439, \$2,367,754, and \$14,799, respectively, in the business-type activities. Land acquisitions were associated with easements needed as part of the Minford sewer project. Construction in progress additions were the result of various ongoing sewer projects including the Eden Park sewer extension and the Minford sewer project. The depreciable assets were the result of purchasing small equipment and a truck. 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, 2013  
Unaudited

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***Debt***

At December 31, 2013, Scioto County had \$9,877,023 in long-term debt outstanding in governmental activities. This included \$8,298,273 of general obligation bonds and premium, \$205,415 in Ohio Public Works Commission (OPWC) loans and \$4,016 tractor loans, and \$1,369,319 in capital leases. There was one new refunding bond issue, one new OPWC loan, and two new capital leases entered into during 2013 for governmental activities.

The amount of long-term debt in the business-type activity was \$8,791,720 which consisted of \$2,841,523 in general obligation bonds, \$2,697,044 in Farmer's Home Administration (FHA) bonds, \$718,022 in Ohio Public Works Commission (OPWC) loans, and \$2,535,131 in Ohio Water Development Authority (OWDA) and United States Department of Agriculture (USDA) loans. During 2013, there were no new loans issued, but the County continued to draw on some existing OPWC, OWDA, and USDA 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, 2013, the County had short-term debt in the amount of \$112,000 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, 2013

	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	\$19,025,895	\$1,702,818	\$20,728,713	\$182,927	\$74,705
Cash and Cash Equivalents in Segregated Accounts	110,012	244,358	354,370	0	0
Materials and Supplies Inventory	311,180	6,219	317,399	6,850	0
Accounts Receivable	20,320	2,020,926	2,041,246	12,466	868
Prepaid Items	309,455	19,835	329,290	0	616
Sales Tax Receivable	2,882,245	0	2,882,245	0	0
Property Taxes Receivable	7,561,521	0	7,561,521	0	0
Revenue in Lieu of Taxes Receivable	19,800	0	19,800	0	0
Due from Other Governments	6,640,109	426,100	7,066,209	0	31,198
Loans Receivable	477,758	97,868	575,626	0	0
Investment in Joint Venture	174,474	0	174,474	0	0
Capital Assets:					
Land and Construction in Progress	1,746,183	5,601,065	7,347,248	0	365,737
Depreciable Capital Assets, Net	83,902,051	14,984,707	98,886,758	41,523	2,069,635
<b>Total Assets</b>	<b>123,181,003</b>	<b>25,103,896</b>	<b>148,284,899</b>	<b>243,766</b>	<b>2,542,759</b>
<b><u>Deferred Outflows Of Resources</u></b>					
Deferred Charge On Refunding	0	45,263	45,263	0	0
<b><u>Liabilities:</u></b>					
Accounts Payable	644,157	60,965	705,122	4,234	2,558
Contracts Payable	116,614	384,777	501,391	0	2,531
Accrued Wages Payable	278,896	5,214	284,110	25,796	0
Due to Other Governments	709,396	123,193	832,589	0	0
Accrued Interest Payable	29,018	105,814	134,832	0	0
Compensatory Time Payable	73,704	12,770	86,474	0	0
Retainage Payable	17,441	92,324	109,765	0	5,774
Notes Payable	112,000	0	112,000	0	0
Long-Term Liabilities:					
Due Within One Year	2,131,750	454,779	2,586,529	0	0
Due in More Than One Year	9,618,264	8,408,129	18,026,393	0	0
<b>Total Liabilities</b>	<b>13,731,240</b>	<b>9,647,965</b>	<b>23,379,205</b>	<b>30,030</b>	<b>10,863</b>
<b><u>Deferred Inflows Of Resources</u></b>					
Property Taxes	6,210,485	0	6,210,485	0	0
Revenue In Lieu Of Taxes	19,800	0	19,800	0	0
<b>Total Deferred Inflows Of Resources</b>	<b>6,230,285</b>	<b>0</b>	<b>6,230,285</b>	<b>0</b>	<b>0</b>
<b><u>Net Position:</u></b>					
Net Investment in Capital Assets	77,409,698	11,414,819	88,824,517	41,523	2,435,372
Restricted for:					
Debt Service	9,687	0	9,687	0	0
Capital Projects	643,702	0	643,702	0	0
Public Safety	2,866,313	0	2,866,313	0	0
Human Services	4,868,518	0	4,868,518	0	0
Public Works	4,435,054	0	4,435,054	0	0
Health	3,641,650	0	3,641,650	0	0
Community and Economic Development	767,709	0	767,709	0	0
Transportation	56,487	0	56,487	0	0
Judicial	679,264	0	679,264	0	0
Other Purposes	1,453,816	0	1,453,816	0	0
Unrestricted	6,387,580	4,086,375	10,473,955	172,213	96,524
<b>Total Net Position</b>	<b>\$103,219,478</b>	<b>\$15,501,194</b>	<b>\$118,720,672</b>	<b>\$213,736</b>	<b>\$2,531,896</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b><u>Governmental Activities:</u></b>				
General Government:				
Legislative and Executive	\$7,644,800	\$1,865,365	\$0	\$0
Judicial	2,754,036	1,429,633	431,207	0
Public Safety:				
Sheriff	5,795,903	2,687,127	247,952	0
Other	2,606,307	605,898	1,317,181	0
Public Works	4,672,328	169,837	4,440,038	2,432,632
Health	11,572,908	363,013	5,477,109	0
Human Services	11,646,104	233,238	9,677,357	0
Conservation and Recreation	341,095	7,450	22,891	0
Economic Development and Assistance	1,114,135	73,323	900,220	0
Transportation	926,728	372,422	585,435	0
Interest and Fiscal Charges	661,451	0	0	0
<i>Total Governmental Activities</i>	49,735,795	7,807,306	23,099,390	2,432,632
<b><u>Business-Type Activity:</u></b>				
Sewer	2,805,138	3,335,310	0	890,508
<i>Total Primary Government</i>	\$52,540,933	\$11,142,616	\$23,099,390	\$3,323,140
<b><u>Component Units:</u></b>				
STAR, Inc.	\$1,334,769	\$1,047,456	\$366,201	\$0
Scioto County Airport Authority	163,865	110,104	31,198	186,051
<i>Total Component Unit Activities</i>	\$1,498,634	\$1,157,560	\$397,399	\$186,051

**General Revenues:**

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

*Total General Revenues*

Change in Net Position

*Net Position at Beginning of Year - Restated (See Note 28)*

*Net Position at End of Year*

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	
(\$5,779,435)	\$0	(\$5,779,435)	\$0	\$0	\$0
(893,196)	0	(893,196)	0	0	0
(2,860,824)	0	(2,860,824)	0	0	0
(683,228)	0	(683,228)	0	0	0
2,370,179	0	2,370,179	0	0	0
(5,732,786)	0	(5,732,786)	0	0	0
(1,735,509)	0	(1,735,509)	0	0	0
(310,754)	0	(310,754)	0	0	0
(140,592)	0	(140,592)	0	0	0
31,129	0	31,129	0	0	0
(661,451)	0	(661,451)	0	0	0
(16,396,467)	0	(16,396,467)	0	0	0
0	1,420,680	1,420,680	0	0	0
(16,396,467)	1,420,680	(14,975,787)	0	0	0
0	0	0	78,888	0	0
0	0	0	0	163,488	163,488
0	0	0	78,888	163,488	242,376
1,730,068	0	1,730,068	0	0	0
3,533,114	0	3,533,114	0	0	0
746,901	0	746,901	0	0	0
93,015	0	93,015	0	0	0
407,397	0	407,397	0	0	0
11,157,552	0	11,157,552	0	0	0
493	0	493	0	0	0
1,979,504	0	1,979,504	0	0	0
5,341	0	5,341	0	0	0
64,000	0	64,000	0	0	0
1,047,133	33,244	1,080,377	0	2,502	2,502
20,764,518	33,244	20,797,762	0	2,502	2,502
4,368,051	1,453,924	5,821,975	78,888	165,990	245,866
98,851,427	14,047,270	112,898,697	134,848	2,365,906	2,500,654
\$103,219,478	\$15,501,194	\$118,720,672	\$213,736	\$2,531,896	\$2,745,450

**SCIOTO COUNTY, OHIO**  
Balance Sheet  
Governmental Funds  
December 31, 2013

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$4,234,477	\$1,721,218	\$2,025,892
Cash and Cash Equivalents in Segregated Accounts	71,142	6,295	226
Receivables:			
Sales Tax	2,882,245	0	0
Property Taxes	2,177,688	0	0
Accounts	18,441	0	0
Interfund	14,813	29,362	232,100
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	1,025,397	16,779	2,239,667
Prepaid Items	108,142	118,642	0
Materials and Supplies Inventory	19,262	15,073	261,791
Loans Receivable	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	308,603	0	0
<b>Total Assets</b>	<b>\$10,860,210</b>	<b>\$1,907,369</b>	<b>\$4,759,676</b>
<b><u>Liabilities:</u></b>			
Accounts Payable	\$185,650	\$93,116	\$44,407
Contracts Payable	0	60,883	0
Accrued Wages Payable	72,406	61,637	60,840
Due to Other Governments	271,459	62,009	43,261
Interfund Payable	12,583	25,048	0
Retainage Payable	0	6,903	0
Accrued Interest Payable	1,013	0	0
Notes Payable	112,000	0	0
<b>Total Liabilities</b>	<b>655,111</b>	<b>309,596</b>	<b>148,508</b>
<b><u>Deferred Inflows of Resources</u></b>			
Property Taxes not Levied to Finance Current Year Operations	1,780,553	0	0
Payment in Lieu of Taxes not Intended to Finance Current Year Operations	0	0	0
Unavailable Revenue	2,094,338	0	1,555,177
<b>Total Deferred Inflows of Resources</b>	<b>3,874,891</b>	<b>0</b>	<b>1,555,177</b>
<b><u>Fund Balances:</u></b>			
Nonspendable	436,007	133,715	261,791
Restricted	0	1,464,058	2,794,200
Committed	0	0	0
Assigned	266,084	0	0
Unassigned (Deficit)	5,628,117	0	0
<b>Total Fund Balances</b>	<b>6,330,208</b>	<b>1,597,773</b>	<b>3,055,991</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$10,860,210</b>	<b>\$1,907,369</b>	<b>\$4,759,676</b>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$2,120,034	\$997,637	\$7,618,034	\$18,717,292
0	0	32,349	110,012
0	0	0	2,882,245
4,350,814	920,568	112,451	7,561,521
179	100	1,600	20,320
0	1,293	25,048	302,616
14,400	3,600	1,800	19,800
1,142,783	705,841	1,509,642	6,640,109
65,930	2,379	14,362	309,455
10,242	500	4,312	311,180
0	0	477,758	477,758
0	0	0	308,603
<u>\$7,704,382</u>	<u>\$2,631,918</u>	<u>\$9,797,356</u>	<u>\$37,660,911</u>
\$142,727	\$107,078	\$71,179	\$644,157
0	0	55,731	116,614
26,657	21,727	35,629	278,896
149,723	20,398	162,546	709,396
100	0	264,885	302,616
0	0	10,538	17,441
0	0	0	1,013
0	0	0	112,000
<u>319,207</u>	<u>149,203</u>	<u>600,508</u>	<u>2,182,133</u>
3,578,648	755,653	95,631	6,210,485
14,400	3,600	1,800	19,800
<u>1,184,037</u>	<u>424,314</u>	<u>1,045,893</u>	<u>6,303,759</u>
<u>4,777,085</u>	<u>1,183,567</u>	<u>1,143,324</u>	<u>12,534,044</u>
76,172	2,879	18,674	929,238
2,531,918	1,296,269	7,713,399	15,799,844
0	0	330,459	330,459
0	0	17,580	283,664
0	0	(26,588)	5,601,529
<u>2,608,090</u>	<u>1,299,148</u>	<u>8,053,524</u>	<u>22,944,734</u>
<u>\$7,704,382</u>	<u>\$2,631,918</u>	<u>\$9,797,356</u>	<u>\$37,660,911</u>

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**SCIOTO COUNTY, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2013

**Total Governmental Fund Balances** \$22,944,734

***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	
Construction in progress	172,589	
Depreciable capital assets	135,368,342	
Accumulated depreciation	<u>(51,466,291)</u>	
Total capital assets		85,648,234

The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 174,474

Other long-term assets will not be available to pay current-period expenditures and, therefore, are offset by deferred inflows of resources in the funds:

Sales tax	1,075,823	
Delinquent property taxes	1,351,036	
Accounts	60,420	
Intergovernmental	<u>3,816,480</u>	
		6,303,759

In the Statement of Activities, interest is accrued on long-term debt, whereas in governmental funds, an interest expenditure is reported when due. (28,005)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(8,298,273)	
Loans payable	(209,431)	
Capital leases payable	(1,369,319)	
Compensated absences	(1,726,082)	
Accrued compensatory time payable	(73,704)	
Workers' compensation claims payable	<u>(146,909)</u>	
Total liabilities		<u>(11,823,718)</u>

**Net Position of Governmental Activities** \$103,219,478

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, 2013

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Revenues:</u></b>			
Property Taxes	\$1,729,817	\$0	\$0
Other Local Taxes	407,397	0	0
Sales Tax	11,157,552	0	0
Revenue in Lieu of Taxes	333	0	0
Charges for Services	2,909,228	30,046	145,562
Licenses and Permits	5,095	0	0
Fines and Forfeitures	176,941	0	14,773
Intergovernmental	2,196,079	6,433,626	4,367,435
Interest	5,108	0	194
Rent	4,520	0	1,650
Contributions and Donations	64,000	0	0
Miscellaneous	279,174	281,628	23,482
<b>Total Revenues</b>	<b>18,935,244</b>	<b>6,745,300</b>	<b>4,553,096</b>
<b><u>Expenditures:</u></b>			
Current:			
General Government:			
Legislative and Executive	6,948,298	0	0
Judicial	2,370,117	0	0
Public Safety:			
Sheriff	3,806,353	0	0
Other	528,976	0	0
Public Works	0	0	4,411,916
Health	348,893	0	0
Human Services	390,313	7,144,123	0
Conservation and Recreation	242,047	0	0
Economic Development and Assistance	113,311	0	0
Transportation	0	0	0
Capital Outlay	122,990	0	0
Debt Service:			
Principal Retirement	210,136	47,657	0
Interest and Fiscal Charges	31,686	8,623	0
Principal Retirement - Refunding	0	0	0
<b>Total Expenditures</b>	<b>15,113,120</b>	<b>7,200,403</b>	<b>4,411,916</b>
Excess of Revenues Over (Under) Expenditures	3,822,124	(455,103)	141,180
<b><u>Other Financing Sources (Uses):</u></b>			
Proceeds From Sale of Capital Assets	0	0	0
Inception of Capital Lease	16,488	7,763	0
Transfers In	0	241,995	0
Payment to Refunded Bonds Escrow Agent	0	0	0
Refunding Bond Proceeds	0	0	0
Loan Proceeds	0	0	0
Transfers Out	(1,541,574)	0	(3,230)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,525,086)</b>	<b>249,758</b>	<b>(3,230)</b>
<b>Net Change in Fund Balances</b>	<b>2,297,038</b>	<b>(205,345)</b>	<b>137,950</b>
<b>Fund Balances at Beginning of Year</b>	<b>4,033,170</b>	<b>1,803,118</b>	<b>2,918,041</b>
<b>Fund Balances at End of Year</b>	<b>\$6,330,208</b>	<b>\$1,597,773</b>	<b>\$3,055,991</b>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,557,929	\$752,249	\$93,502	\$6,133,497
0	0	0	407,397
0	0	0	11,157,552
0	160	0	493
305,580	2,056	3,426,065	6,818,537
0	0	49,151	54,246
0	0	772,790	964,504
5,980,306	2,254,438	6,212,543	27,444,427
24	0	15	5,341
0	0	0	6,170
19,469	27,935	2,238	113,642
69,234	18,581	375,034	1,047,133
<u>9,932,542</u>	<u>3,055,419</u>	<u>10,931,338</u>	<u>54,152,939</u>
0	0	711,623	7,659,921
0	0	453,705	2,823,822
0	0	1,966,022	5,772,375
0	0	1,868,285	2,397,261
0	0	1,858,574	6,270,490
10,659,154	0	308,171	11,316,218
0	2,986,793	1,093,185	11,614,414
0	0	0	242,047
0	0	997,864	1,111,175
0	0	852,621	852,621
0	0	498,902	621,892
109,362	45,956	552,172	965,283
37,536	11,350	566,147	655,342
0	0	265,600	265,600
<u>10,806,052</u>	<u>3,044,099</u>	<u>11,992,871</u>	<u>52,568,461</u>
<u>(873,510)</u>	<u>11,320</u>	<u>(1,061,533)</u>	<u>1,584,478</u>
0	0	75,195	75,195
0	0	0	24,251
0	0	1,344,397	1,586,392
0	0	(1,726,033)	(1,726,033)
0	0	1,815,000	1,815,000
0	0	205,415	205,415
(488)	0	(41,100)	(1,586,392)
<u>(488)</u>	<u>0</u>	<u>1,672,874</u>	<u>393,828</u>
(873,998)	11,320	611,341	1,978,306
<u>3,482,088</u>	<u>1,287,828</u>	<u>7,442,183</u>	<u>20,966,428</u>
<u>\$2,608,090</u>	<u>\$1,299,148</u>	<u>\$8,053,524</u>	<u>\$22,944,734</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, 2013

**Net Change in Fund Balances - Total Governmental Funds** \$1,978,306

*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	5,239,527	
Construction in progress additions	172,589	
Depreciation expense	<u>(3,685,449)</u>	
Excess of capital outlay over depreciation expense		1,726,667

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.

Proceeds from the sale of capital assets		(75,195)
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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 therefore recorded as deferred inflows of resources in the funds. Deferred inflows of resources related to the following items changed by the amounts shown below:

Delinquent property taxes	(30,399)	
Charges for services	(36,151)	
Intergovernmental	<u>(5,434)</u>	
Total revenues		(71,984)

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

22,891

The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement of Net Position, the debt is reported as a liability.

General Obligation Refunding Bonds	(1,815,000)	
Proceeds of loans	<u>(205,415)</u>	
		(2,020,415)

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.

(24,251)

Repayment of long-term obligations 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	7,307	
Bond principal payments	550,000	
Payment to Refunded Bond Escrow Agent	1,726,033	
Refunded Interest on Refunding Bonds	(16,633)	
Current Refunding	265,600	
Capital lease payments	<u>407,976</u>	
Total long-term debt repayments		2,940,283

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable	(115,772)	
Increase in accrued compensatory time payable	(13,162)	
Decrease in workers' compensation claims payable	<u>10,159</u>	
		(118,775)

Amortization of bond premiums as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest	10,319	
Amortization of premium on general obligation bonds	<u>205</u>	
		10,524

**Change in Net Position of Governmental Activities** \$4,368,051

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, 2013

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,702,500	\$1,739,500	\$1,739,299	(\$201)
Other Local Taxes	315,000	335,000	406,663	71,663
Sales Tax	10,000,000	10,600,000	11,126,270	526,270
Revenue in Lieu of Taxes	150	150	333	183
Charges for Services	1,995,700	2,061,200	2,178,341	117,141
Licenses and Permits	4,000	4,000	5,095	1,095
Fines and Forfeitures	130,000	148,000	177,053	29,053
Intergovernmental	1,618,791	1,949,368	2,125,092	175,724
Interest	7,500	6,000	5,128	(872)
Rent	2,500	2,500	2,920	420
Miscellaneous	21,700	114,700	123,575	8,875
<b>Total Revenues</b>	<b>15,797,841</b>	<b>16,960,418</b>	<b>17,889,769</b>	<b>929,351</b>
<b><u>Expenditures:</u></b>				
Current:				
General Government:				
Legislative and Executive	7,143,039	7,375,049	7,083,676	291,373
Judicial	1,856,681	2,149,033	2,091,560	57,473
Public Safety:				
Sheriff	3,712,268	3,865,656	3,860,535	5,121
Other	522,063	553,669	536,420	17,249
Health	369,356	373,567	354,214	19,353
Human Services	446,522	446,522	419,277	27,245
Conservation and Recreation	173,508	165,991	160,277	5,714
Economic Development and Assistance	77,425	129,380	112,218	17,162
Capital Outlay	0	122,990	122,990	0
Debt Service:				
Principal Retirement	0	7,307	7,307	0
Interest and Fiscal Charges	0	210	210	0
<b>Total Expenditures</b>	<b>14,300,862</b>	<b>15,189,374</b>	<b>14,748,684</b>	<b>440,690</b>
Excess of Revenues Over Expenditures	1,496,979	1,771,044	3,141,085	1,370,041
<b><u>Other Financing Sources (Uses):</u></b>				
Advances Out	0	0	(349,969)	(349,969)
Transfers In	0	175,000	175,000	0
Transfers Out	(1,597,482)	(2,077,902)	(1,639,448)	438,454
<b>Total Other Financing Sources (Uses)</b>	<b>(1,597,482)</b>	<b>(1,902,902)</b>	<b>(1,814,417)</b>	<b>88,485</b>
<b>Net Change in Fund Balance</b>	<b>(100,503)</b>	<b>(131,858)</b>	<b>1,326,668</b>	<b>1,458,526</b>
<b>Fund Balance at Beginning of Year</b>	<b>1,171,899</b>	<b>1,171,899</b>	<b>1,171,899</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>350,541</b>	<b>350,541</b>	<b>350,541</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$1,421,937</b>	<b>\$1,390,582</b>	<b>\$2,849,108</b>	<b>\$1,458,526</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, 2013

	<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	\$684	\$684
Intergovernmental	8,385,000	8,385,000	6,542,586	(1,842,414)
Miscellaneous	<u>259,684</u>	<u>259,684</u>	<u>281,628</u>	<u>21,944</u>
<i>Total Revenues</i>	8,644,684	8,644,684	6,824,898	(1,819,786)
<b><u>Expenditures:</u></b>				
Current:				
Human Services	<u>8,922,651</u>	<u>8,756,272</u>	<u>7,431,241</u>	<u>1,325,031</u>
Excess of Revenues Over (Under) Expenditures	<u>(277,967)</u>	<u>(111,588)</u>	<u>(606,343)</u>	<u>(494,755)</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Advances Out	0	(15,439)	(15,439)	0
Transfers In	<u>230,316</u>	<u>230,316</u>	<u>241,995</u>	<u>11,679</u>
<i>Total Other Financing Sources (Uses)</i>	<u>230,316</u>	<u>214,877</u>	<u>226,556</u>	<u>11,679</u>
<i>Net Change in Fund Balance</i>	(47,651)	103,289	(379,787)	(483,076)
<i>Fund Balance at Beginning of Year</i>	1,604,077	1,604,077	1,604,077	0
<i>Prior Year Encumbrances Appropriated</i>	<u>100,740</u>	<u>100,740</u>	<u>100,740</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,657,166</u>	<u>\$1,808,106</u>	<u>\$1,325,030</u>	<u>(\$483,076)</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, 2013

	<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	\$136,818	\$145,336	\$8,518
Fines and Forfeitures	9,850	9,850	15,024	5,174
Intergovernmental	4,375,000	4,375,000	4,402,234	27,234
Interest	150	150	194	44
Rent	0	1,650	1,650	0
Miscellaneous	200,000	61,532	46,053	(15,479)
<i>Total Revenues</i>	4,585,000	4,585,000	4,610,491	25,491
<b><u>Expenditures:</u></b>				
Current:				
Public Works	5,322,876	5,322,876	4,565,017	757,859
Excess of Revenues Over (Under) Expenditures	(737,876)	(737,876)	45,474	783,350
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	0	0	59,270	59,270
Advances Out	0	0	(77,500)	(77,500)
<i>Total Other Financing Sources (Uses)</i>	0	0	(18,230)	(18,230)
<i>Net Change in Fund Balance</i>	(737,876)	(737,876)	27,244	765,120
<i>Fund Balance at Beginning of Year</i>	620,413	620,413	620,413	0
<i>Prior Year Encumbrances Appropriated</i>	120,027	120,027	120,027	0
<i>Fund Balance at End of Year</i>	<u>\$2,564</u>	<u>\$2,564</u>	<u>\$767,684</u>	<u>\$765,120</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, 2013

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,837,000	\$3,837,000	\$3,584,198	(\$252,802)
Revenue in Lieu of Taxes	350	0	0	0
Charges for Services	54,500	54,500	299,314	244,814
Intergovernmental	4,418,000	4,738,526	5,652,396	913,870
Contributions and Donations	10,000	10,000	15,400	5,400
Miscellaneous	320,176	0	0	0
<i>Total Revenues</i>	8,640,026	8,640,026	9,551,308	911,282
<b><u>Expenditures:</u></b>				
Current:				
Health	9,087,045	10,238,028	9,914,524	323,504
Excess of Revenues Over (Under) Expenditures	(447,019)	(1,598,002)	(363,216)	1,234,786
<b><u>Other Financing Sources:</u></b>				
Advances In	0	0	12,512	12,512
<i>Net Change in Fund Balance</i>	(447,019)	(1,598,002)	(350,704)	1,247,298
<i>Fund Balance at Beginning of Year</i>	1,576,426	1,576,426	1,576,426	0
<i>Prior Year Encumbrances Appropriated</i>	38,801	38,801	38,801	0
<i>Fund Balance at End of Year</i>	<u>\$1,168,208</u>	<u>\$17,225</u>	<u>\$1,264,523</u>	<u>\$1,247,298</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, 2013

	<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	\$810,000	\$757,570	(\$52,430)
Revenue in Lieu of Taxes	100	100	160	60
Charges for Services	0	0	763	763
Intergovernmental	774,000	774,000	2,195,091	1,421,091
Contributions and Donations	5,200	5,200	27,835	22,635
Miscellaneous	663,935	663,935	18,506	(645,429)
<i>Total Revenues</i>	2,253,235	2,253,235	2,999,925	746,690
<b><u>Expenditures:</u></b>				
Current:				
Human Services	3,124,999	3,124,999	3,070,751	54,248
<i>Net Change in Fund Balance</i>	(871,764)	(871,764)	(70,826)	800,938
<i>Fund Balance at Beginning of Year</i>	953,010	953,010	953,010	0
<i>Prior Year Encumbrances Appropriated</i>	64,595	64,595	64,595	0
<i>Fund Balance at End of Year</i>	<u>\$145,841</u>	<u>\$145,841</u>	<u>\$946,779</u>	<u>\$800,938</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fund Net Position  
Enterprise Fund  
December 31, 2013

	<u>Sewer Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,702,818
Cash and Cash Equivalents in Segregated Accounts	244,358
Materials and Supplies Inventory	6,219
Accounts Receivable	2,020,926
Due from Other Governments	426,100
Prepaid Items	19,835
Loans Receivable	97,868
Nondepreciable Capital Assets	5,601,065
Depreciable Capital Assets, Net	<u>14,984,707</u>
<i>Total Assets</i>	<u>25,103,896</u>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred Charge on Refunding	<u>45,263</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	60,965
Contracts Payable	384,777
Retainage Payable	92,324
Accrued Wages Payable	5,214
Intergovernmental Payable	123,193
Accrued Interest Payable	105,814
General Obligation Bonds Payable	227,489
Farmer's Home Administration Bonds Payable	69,506
Ohio Public Works Commission Loans Payable	46,819
Ohio Water Development Authority Loans Payable	64,990
Compensatory Time Payable	12,770
Compensated Absences Payable	<u>45,975</u>
<i>Total Liabilities</i>	<u>1,239,836</u>
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>	
General Obligation Bonds Payable	2,614,034
Farmer's Home Administration Bonds Payable	2,627,538
Ohio Public Works Commission Loans Payable	671,203
Ohio Water Development Authority Loans Payable	1,480,255
United States Department of Agriculture Loan Payable	989,886
Compensated Absences Payable	<u>25,213</u>
<i>Total Long-Term Liabilities</i>	<u>8,408,129</u>
<i>Total Liabilities</i>	<u>9,647,965</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	11,414,819
Unrestricted	<u>4,086,375</u>
<i>Total Net Position</i>	<u><u>\$15,501,194</u></u>

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, 2013

	<u>Sewer Fund</u>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$3,335,310
Other Operating Revenues	92
	<hr/>
<i>Total Operating Revenues</i>	<u>3,335,402</u>
<b><u>Operating Expenses:</u></b>	
Personal Services	665,972
Fringe Benefits	447,573
Contractual Services	745,386
Materials and Supplies	198,075
Depreciation	402,736
Other	1,673
	<hr/>
<i>Total Operating Expenses</i>	<u>2,461,415</u>
Operating Income	<u>873,987</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest and Fiscal Charges	(343,723)
Other Non-Operating Revenues	33,152
	<hr/>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(310,571)</u>
Income Before Capital Grants	563,416
Capital Grants	<u>890,508</u>
<i>Net Income</i>	1,453,924
<i>Net Position at Beginning of Year</i>	<u>14,047,270</u>
<i>Net Position at End of Year</i>	<u><u>\$15,501,194</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, 2013

	<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	\$3,318,095
Cash Payments to Suppliers for Goods and Services	(413,267)
Cash Payments to Employees for Services	(649,693)
Cash Payments for Employee Benefits	(449,191)
Cash Payments for Other Operating Expenses	(1,673)
	1,804,271
<i>Net Cash Provided by Operating Activities</i>	<i>1,804,271</i>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Proceeds of Loans	878,570
Capital Grants Received	973,724
Aquisition of Capital Assets	(2,556,382)
Principal Paid on Bonds and Loans	(543,334)
Interest Paid on Bonds and Loans	(335,498)
Other Non-Operating Revenues	33,152
	(1,549,768)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(1,549,768)</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>254,503</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>1,692,673</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$1,947,176</i>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating Income	\$873,987
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u></b>	
Depreciation	402,736
Increase in Materials and Supplies Inventory	(1,482)
Increase in Accounts Receivable	(17,307)
Increase in Prepaid Items	(11,950)
Decrease in Accounts Payable	(2,100)
Increase in Accrued Wages and Benefits	2,670
Increase in Due to Other Governments	91,539
Increase in Compensatory Time Payable	5,546
Increase in Compensated Absences Payable	9,377
Increase in Contracts Payable	358,931
Increase in Retainage Payable	92,324
	930,284
<i>Total Adjustments</i>	<i>930,284</i>
<i>Net Cash Provided by Operating Activities</i>	<i>\$1,804,271</i>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2013

**Assets:**

Equity in Pooled Cash and Cash Equivalents	\$4,824,031
Cash and Cash Equivalents in Segregated Accounts	1,024,176
Receivables:	
Property Taxes	45,215,850
Accounts	765,820
Revenue in Lieu of Taxes	160,200
Due from Other Governments	2,558,156
	<hr/>
<i>Total Assets</i>	<u><u>\$54,548,233</u></u>

**Liabilities:**

Due to Other Governments	\$48,715,026
Undistributed Monies	5,833,207
	<hr/>
<i>Total Liabilities</i>	<u><u>\$54,548,233</u></u>

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.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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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*  
*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 the 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.

**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.

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, and deferred inflows and outflows of resources 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, current liabilities, and current deferred inflows of resources 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. 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.

Like the government-wide statements, all proprietary funds are accounted for using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows and outflows of resources 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 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.

## **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 and the statement of fund net position for the enterprise fund. 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 of the 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, 2013, but which were levied to finance 2014 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 sales tax, delinquent property taxes, accounts receivable, 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.

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 before 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 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."

"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 2013. 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, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2013 amounted to \$5,108, of which \$3,820 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents.

#### **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, 2013, 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 Receivable" 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. Interfund balances are eliminated on the government-wide Statement of Net Position.

#### **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

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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	10-20 years
Buildings and Building Improvements	7-50 years
Furniture, Fixtures, and Equipment	5-30 years
Vehicles	8 years
Infrastructure	5-65 years

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

**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.

**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, and capital leases that will be paid from governmental funds are recognized as liabilities on the fund financial statements when due.

### **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 – The restricted fund balance category includes amounts that can be spent only for the specific purposes through enabling legislation. 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, 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.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

### **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.

### **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 2013, the County implemented Governmental Accounting Standard Board (GASB) *Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34."* This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the County's financial statements.

### **NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

#### **ACCOUNTABILITY**

The County Sign Upgrade Project Special Revenue Funds had a deficit fund balance of \$26,588 at December 31, 2013. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

## **COMPLIANCE**

### *Economic Adjustment Assistance Federal Grant, CFDA #11.307*

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, 2012 through March 31, 2013, administrative expenses exceeded RLF income by \$15,984. This resulted in \$15,984 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 audit period.

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. The County did not adequately monitor its subrecipients during the audit period.

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) Income must be placed into the RLF Capital base for the purpose of making loans or payment eligible and reasonable costs associated with the RLF's operations. For the period of April 1, 2013 through September 30, 2013, RLF income exceeded administrative expense by \$793.35. This resulted in \$793.35 that should have been paid into the RLF capital and used for lending. Since the semi-annual reports were not filed there it could not be determined if the County properly included this amount in the RLF capital base.

### *Community Development Block Grants/State's Program Federal Grant, CFDA #14.228*

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. 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 did not comply with this requirement during the audit period.

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statements of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors. The County should ensure that weekly certified payrolls are obtained from all contractors and subcontractors.

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 failed to prepare and submit the required reports.

*Water and Waste Disposal Systems for Rural Communities Program Federal Grant, CFDA #10.760*

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statements of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors. The County should ensure that weekly certified payrolls are obtained from all contractors and subcontractors.

**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 (GAAP basis).

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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	\$2,297,038	(\$205,345)	\$137,950	(\$873,998)	\$11,320
Increases (Decreases) Due to:					
Revenue Accruals	(168,637)	70,251	57,621	(187,318)	(60,815)
Expenditure Accruals	112,690	165,350	(283,129)	146,929	3,458
Encumbrances	(312,703)	(396,188)	(128,590)	(42,600)	(30,110)
Unrecorded Cash - 2012	223,512	7,879	0	121,931	26,069
Unrecorded Cash - 2013	(209,997)	(6,295)	(226)	(95,662)	(20,748)
Transfers	77,126	0	3,230	488	0
Advances	(349,969)	(15,439)	(18,230)	12,512	0
Perspective Differences	(342,392)	0	258,618	567,014	0
Budget Basis	\$1,326,668	(\$379,787)	\$27,244	(\$350,704)	(\$70,826)

**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;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

**INVESTMENTS**

As of December 31, 2013, the County had the following investments.

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$97,961	average 53 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.

**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 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2013, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
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<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$719,451,040
Commercial/Industrial/Public Utility	143,099,620
Public Utility Real	14,214,080
Public Utility Personal	79,864,530
Total Assessed Value	<u><u>\$956,629,270</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, 2013, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 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 2013.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2013, consisted of taxes, accounts (billings for user charged services), interfund activity, revenue in lieu of taxes, revenue due from other governments arising from grants and shared revenues, and loans. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, and loans. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2013, was \$477,758, of which \$11,770 is considered to be due within one year.

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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	Amount
<u>Governmental Activities Intergovernmental Receivables</u>	
Board of DD contract services and subsidies	\$56,571
Board of DD program reimbursements	495,954
Bridges to Transition Grant	44,180
Casino Revenues	443,150
Community Development Block Grant	12,142
Human Services Grants / Reimbursements	16,779
Cents Per Gallon	374,487
Child Support Poundage	30,638
Children Services Grants / Reimbursements	648,055
Community Correction Grants	157,187
County Sign Upgrade	14,987
Emergency Management Performance Grant	10,538
Felony Delinquent Care and Custody Grant	216,530
Gas Tax	753,116
High Intensity Drug Trafficking Grant	3,132
Homestead / Rollback	475,502
Indigent Defense	62,991
Inmate Medical Reimbursement	772
Law Library Fines and Costs	1,490
Local Government	274,677
MVL Tax	1,112,064
Ohio Department of Transportation - Bridge Replacement Grant	33,702
Ohio Public Works Commission - Bridge Replacement Grant	510,000
Prisoner Housing	62,050
Probation Improvement Incentive Grant	284,000
Rural Transit Program Grant	59,335
Regional Infant Hearing Grant	55,691
Sheriff Rotary Patrols	111,197
Charges for Services to Other Governments	38,658
Title XIX Grant	167,432
Title XX Grant	54,356
Victims of Crime Grant	58,746
Total Governmental Activities	6,640,109
<u>Business-Type Activities Intergovernmental Receivables</u>	
United States Department of Agriculture Grant - Eden Park Project Grant	320,365
Ohio Public Works Commission - Eden Park Project Grant	105,735
Total Business-Type Activities	426,100
Total Intergovernmental Receivables	\$7,066,209

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
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**NOTE 10 - CAPITAL ASSETS**

Capital assets activity of the governmental activities for the year ended December 31, 2013, was as follows:

	Balance at 12/31/2012	Additions	Deletions	Balance at 12/31/2013
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,573,594	\$0	\$0	\$1,573,594
Construction in Progress	0	172,589	0	172,589
Total Capital Assets, Not Being Depreciated	<u>1,573,594</u>	<u>172,589</u>	<u>0</u>	<u>1,746,183</u>
Depreciable Capital Assets:				
Land Improvements	1,448,728	961,996	0	2,410,724
Buildings and Building Improvements	46,925,320	253,108	0	47,178,428
Furniture, Fixtures, and Equipment	6,134,318	372,684	(38,380)	6,468,622
Vehicles	4,688,430	554,285	(245,000)	4,997,715
Infrastructure	71,453,714	3,097,454	(238,315)	74,312,853
Total Depreciable Capital Assets	<u>130,650,510</u>	<u>5,239,527</u>	<u>(521,695)</u>	<u>135,368,342</u>
Less Accumulated Depreciation:				
Land Improvements	(184,763)	(94,161)	0	(278,924)
Buildings and Building Improvements	(14,830,036)	(891,260)	0	(15,721,296)
Furniture, Fixtures, and Equipment	(4,588,350)	(358,900)	31,134	(4,916,116)
Vehicles	(3,479,013)	(379,153)	228,854	(3,629,312)
Infrastructure	(25,145,180)	(1,961,975)	186,512	(26,920,643)
Total Accumulated Depreciation	<u>(48,227,342)</u>	<u>(3,685,449) *</u>	<u>446,500</u>	<u>(51,466,291)</u>
Depreciable Capital Assets, Net	<u>82,423,168</u>	<u>1,554,078</u>	<u>(75,195)</u>	<u>83,902,051</u>
Governmental Activities				
Capital Assets, Net	<u>\$83,996,762</u>	<u>\$1,726,667</u>	<u>(\$75,195)</u>	<u>\$85,648,234</u>

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

General Government:	
Legislative and Executive	\$161,784
Judicial	83,567
Public Safety:	
Sheriff	451,591
Other	210,131
Public Works	2,125,018
Health	265,158
Human Services	76,748
Conservation and Recreation	239,904
Transportation	71,548
Total Depreciation Expense	<u>\$3,685,449</u>

**SCIOTO COUNTY, OHIO**  
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Capital assets activity of the business-type activities for the year ended December 31, 2013, was as follows:

	Balance at 12/31/2012	Additions	Deletions	Balance at 12/31/2013
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$18,480	\$454,439	\$0	\$472,919
Construction in Progress	3,041,002	2,367,754	(280,610)	5,128,146
Total Capital Assets, Not Being Depreciated	<u>3,059,482</u>	<u>2,822,193</u>	<u>(280,610)</u>	<u>5,601,065</u>
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	749,028	5,750	0	754,778
Vehicles	273,300	9,049	0	282,349
Infrastructure	14,889,067	0	0	14,889,067
Total Depreciable Capital Assets	<u>23,165,270</u>	<u>14,799</u>	<u>0</u>	<u>23,180,069</u>
Less Accumulated Depreciation:				
Land Improvements	(539)	(370)	0	(909)
Buildings and Building Improvements	(2,960,977)	(144,930)	0	(3,105,907)
Furniture, Fixtures, and Equipment	(694,957)	(7,303)	0	(702,260)
Vehicles	(219,299)	(17,375)	0	(236,674)
Infrastructure	(3,916,854)	(232,758)	0	(4,149,612)
Total Accumulated Depreciation	<u>(7,792,626)</u>	<u>(402,736)</u>	<u>0</u>	<u>(8,195,362)</u>
Depreciable Capital Assets, Net	<u>15,372,644</u>	<u>(387,937)</u>	<u>0</u>	<u>14,984,707</u>
Business-Type Activities				
Capital Assets, Net	<u>\$18,432,126</u>	<u>\$2,434,256</u>	<u>(\$280,610)</u>	<u>\$20,585,772</u>

**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.

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 2013. Current limits for claims incurred in calendar year 2013 are \$125,000 per claim and 150 percent of the annual premium in the aggregate. The minimum premium portion of intergovernmental payable is \$167,743 and the actual claim costs are \$170,847. 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, 2013, through December 31, 2013, total \$146,909 and are recorded within long-term liabilities in the government-wide financial statements.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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The amounts reported in the government-wide financial statements at December 31, 2013, 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
2012	\$41,403	\$122,364	\$6,699	\$157,068
2013	157,068	170,847	181,006	146,909

**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.

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 12.0 percent for law enforcement and public safety members. For the year ended December 31, 2013, members in State and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement increased to 12.0 percent and 13.0 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 2013, member and employer contribution rates were consistent across all three plans.

The County's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.1 percent of covered payroll. For 2013, the portion of employer contribution allocated to health care 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2.0 percent. 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, 2013, 2012, and 2011 were \$2,826,413, \$2,073,550, and \$2,158,283, and respectively. For 2013, 90.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. Contributions to the Member-Directed Plan for 2013 were \$34,696 made by the County and \$24,783 made by the plan members.

### **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

Plan Description – The County participates 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).

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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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, 2013, 2012, and 2011 were \$89,512, \$90,794, and \$86,727, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

**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.

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 2013, State and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 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. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 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.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$211,288, \$800,612, and \$833,866 respectively. For 2013, 90.95 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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 4.0 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 – The County 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 2013, STRS Ohio allocated employer contributions equal to 1.0 percent of covered payroll to post-employment health care. The County's contributions for health care for the fiscal years ended December 31, 2013, 2012, and 2011 were \$6,886, \$6,984, and \$6,671, respectively; 100 percent has been contributed for 2013, 2012, and 2011.

#### **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.

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.

Health insurance for employees of the Board of Developmental Disabilities was provided by United Healthcare. 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 Assurant Employee Benefits, respectively.

**NOTE 15 - LEASES – LESSEE DISCLOSURE**

During 2013 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

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.

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General capital assets consisting of buildings and improvements, vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$3,166,447. 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 2013 totaled \$407,976 in the governmental funds.

The assets acquired through capital leases as of December 31, 2013, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings and Improvements	\$2,850,818	\$457,211	\$2,393,607
Furniture, Fixtures, and Equipment	298,371	132,426	165,945
Vehicles	17,258	7,460	9,798
Total	<u>\$3,166,447</u>	<u>\$597,097</u>	<u>\$2,569,350</u>

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, 2013:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$400,803
2015	389,715
2016	367,988
2017	200,031
2018	52,212
2019-2023	108,000
2024-2028	104,400
Total	1,623,149
Less: Amount Representing Interest	(253,830)
Present Value of Net Minimum Lease Payments	<u>\$1,369,319</u>

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 2013 were \$5,791, which were paid from the Public Assistance Special Revenue Fund.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$4,772
2015	4,772
2016	4,375
Total	<u>\$13,919</u>

**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 is not presented in 2013 because the project has not been completed by year end.

*Ohio Water Development Authority (OWDA) Loans*

The OWDA loans consist of money owed to the Ohio Water Development Authority for various sewer line and pump station renovation projects. These consist of 5 - 10 year general obligation loans payable. The Wastewater Design for Clarktown, Muletown, and Rubyville project is complete and a principal payment is due on July 1, 2019, for the entire amount of the loan. 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 Minford Area Wastewater and the Wastewater System Design for Minford projects are not presented in 2013 because the projects have not been completed by year end.

*United States Department of Agriculture (USDA) Loans*

The USDA loan consists of money owed to the United States Department of Agriculture for the Eden Park Sewer extension project. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loan will be repaid from the Sewer Fund. The future debt service requirements for this loan is not presented in 2013 because the project has not been completed by year end.

Compensated absences will be paid from the Sewer Enterprise Fund.

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

	Principal Outstanding at 12/31/2012	Additions	Deletions	Principal Outstanding at 12/31/2013	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	\$681,716	\$0	\$15,297	\$666,419	\$15,985
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	995,000	0	180,000	815,000	190,000
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,078,890	0	16,660	1,062,230	17,410
Rigrish Sewer Bonds 2006 4.50% - \$322,000	301,792	0	3,918	297,874	4,094
<b>Total Enterprise General Obligation Bonds</b>	<b>3,057,398</b>	<b>0</b>	<b>215,875</b>	<b>2,841,523</b>	<b>227,489</b>
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	616,300	0	17,300	599,000	18,100
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	499,760	0	12,840	486,920	13,420
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	663,663	0	15,919	647,744	16,636
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	692,740	0	13,660	679,080	14,270
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	291,060	0	6,760	284,300	7,080
<b>Total FHA Bonds</b>	<b>2,763,523</b>	<b>0</b>	<b>66,479</b>	<b>2,697,044</b>	<b>69,506</b>
<i><u>OPWC Loans</u></i>					
2002 0% - \$162,352	81,172	0	8,118	73,054	8,118
2004 0% - \$162,100	97,252	0	8,106	89,146	8,106
2006 0% - \$235,543	170,764	0	11,778	158,986	11,778
2006 0% - \$9,482	6,875	0	474	6,401	474
2008 0% - \$201,860	166,535	0	10,093	156,442	10,093
2009 0% - \$165,000	144,375	0	8,250	136,125	8,250
2012 0% - \$181,000	45,743	52,125	0	97,868	0
<b>Total OPWC Loans</b>	<b>\$712,716</b>	<b>\$52,125</b>	<b>\$46,819</b>	<b>\$718,022</b>	<b>\$46,819</b>

(Continued)

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	Principal Outstanding at 12/31/2012	Additions	Deletions	Principal Outstanding at 12/31/2013	Due Within One Year
<i><u>OWDA and USDA Loans</u></i>					
Minford Area Wastewater Loan 2009 5.47%	\$390,786	\$18,511	\$20,240	\$389,057	\$20,240
Wastewater Design for Minford, Clarktown, Muletown, and Rubyville Loan 2009 0%	350,075	0	0	350,075	0
Eden Park Planning and Design Loan 2009 0%	129,000	0	129,000	0	0
Wastewater System Design Loan For Minford Project 2011 4.53%	633,861	217,002	44,750	806,113	44,750
Eden Park Extension USDA Loan 4.5%	367,000	643,057	20,171	989,886	0
<b>Total OWDA and USDA Loans</b>	<b>1,870,722</b>	<b>878,570</b>	<b>214,161</b>	<b>2,535,131</b>	<b>64,990</b>
<i><u>Other Long-Term Obligations</u></i>					
Compensated Absences	61,811	26,022	16,645	71,188	45,975
<b>Total Business-Type Activities</b>	<b>\$8,466,170</b>	<b>\$956,717</b>	<b>\$559,979</b>	<b>\$8,862,908</b>	<b>\$454,779</b>

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

	General Obligation Bonds		FHA Bonds		OPWC Loans	OWDA Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2014	\$227,489	\$129,526	\$69,506	\$125,073	\$46,819	\$0	\$343,814	\$254,599
2015	239,183	119,194	72,724	121,837	46,819	0	358,726	241,031
2016	250,938	107,966	76,177	118,451	46,819	0	373,934	226,417
2017	257,784	96,114	79,624	114,903	46,819	0	384,227	211,017
2018	44,715	83,976	83,368	111,195	46,819	0	174,902	195,171
2019-2023	255,593	387,861	479,064	493,940	225,969	350,075	1,310,701	881,801
2024-2028	318,522	324,962	601,684	371,435	142,668	0	1,062,874	696,397
2029-2033	396,930	246,514	755,338	217,506	17,422	0	1,169,690	464,020
2034-2038	448,671	148,791	436,659	57,247	0	0	885,330	206,038
2039-2043	353,595	59,970	42,900	1,931	0	0	396,495	61,901
2044-2046	48,103	4,399	0	0	0	0	48,103	4,399
<b>Totals</b>	<b>\$2,841,523</b>	<b>\$1,709,273</b>	<b>\$2,697,044</b>	<b>\$1,733,518</b>	<b>\$620,154</b>	<b>\$350,075</b>	<b>\$6,508,796</b>	<b>\$3,442,791</b>

**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 Various Purpose and the Juvenile Detention Center Bonds are both being paid with tax monies receipted into the General Fund and then transferred to the Debt Service Fund. The Human Services Refunding Bonds, issued May 1, 2004, are being paid with monies received into the Debt Service Fund from the Public Assistance Special Revenue Fund. The refunded bonds were retired on August 1, 2004. The County Jail Bonds are being paid from general revenues of the County.

The 2013 Economic Development Facilities Refunding Revenue Bonds were issued December 10, 2013, for the purpose of advance refunding \$1,815,000 of the 1999 Shelton Industries General Obligation Bonds. The bonds are serial bonds and were issued with an interest rate of 0.55 – 5.05 percent for a twelve year period. The bonds will mature on December 1, 2025, and will be retired from the Debt Service Fund.

The refunding resulted in the entire amount of the 1999 Shelton Industries General Obligation Bonds being completely defeased.

<u>1999 Shelton Industries Bonds</u>	
Outstanding at December 31, 2012	\$2,075,000
Amount Refunded from Refunding Bonds	(1,815,000)
Principal Payments Made During the Year	(100,000)
Amount Refunded with Monies in Escrow Account	<u>(160,000)</u>
Outstanding at December 31, 2013	<u>\$0</u>

Net proceeds of \$1,726,033 (including a \$2,535 discount on the new bonds, and after payment of \$86,432 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1999 Shelton Industries bonds. As a result, \$1,975,000 of the bonds was considered defeased and the liability for the refunded bonds has been removed from the County’s financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County’s financial statements. At December 31, 2013, \$1,975,000 of the refunded bonds were outstanding.

Although the refunding resulted in no accounting gain or loss, the County, in effect, decreased its aggregated debt service payments by \$836,032 over the next twelve years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$721,199.

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.

Ohio Public Works Commission (OPWC) Loan

The OPWC loan consists of money owed to the Ohio Public Works Commission for various bridge replacement renovation projects. Due to the total loan not being complete, no amortization schedule is available at this time. The liability for the bridge replacement fund is recorded in the fund and government-wide financial statements. The loan will be repaid from the Diehlman Road Bridge Replacement, Mackeltree Road Bridge Replacement, and Millers Run-Fallen Timber Road Bridge Replacement Capital Project Funds.

Riverside Park Loans

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.

Capital Leases and Compensated Absences

Capital leases will be paid from the General Fund and the Public Assistance, Sheriff's Drug Enforcement, Dretac Treasurer, and Board of Developmental Disabilities Special Revenue Funds.

Compensated absences will be paid from the following governmental funds:

- General Fund
- Real Estate Assessment Special Revenue Fund
- Children Services Special Revenue Fund
- Dog and Kennel Special Revenue Fund
- Revolving Loan Special Revenue Fund
- Emergency Management Assistance Special Revenue Fund
- Engineer Special Revenue Fund
- Public Assistance Special Revenue Fund
- Board of Developmental Disabilities Special Revenue Fund
- T.B. Levy Special Revenue Fund
- Sheriff's Policing Rotary Special Revenue Fund
- Coordinated Transportation Special Revenue Fund
- Recycling and Litter Prevention Special Revenue Fund
- Ohio Department of Rehabilitation and Correction Treatment Special Revenue Fund

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

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General Fund  
Dog and Kennel Special Revenue Fund  
Engineer Special Revenue Fund  
Public Assistance Special Revenue Fund  
Board of Developmental Disabilities Special Revenue Fund  
Sheriff's Policing Rotary Special Revenue Fund  
Coordinated Transportation Special Revenue Fund  
Victims of Crime Special Revenue Fund

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

	Principal Outstanding at 12/31/2012	Additions	Deletions	Principal Outstanding at 12/31/2013	Due Within One Year
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	\$2,075,000	\$0	\$2,075,000	\$0	\$0
Economic Development Facilities Refunding					
Revenue Bonds 2013 0.55 - 5.05% - \$1,815,000	0	1,815,000	0	1,815,000	135,000
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	4,745,000	0	200,000	4,545,000	205,000
Premium on County Jail Bonds	3,478	0	205	3,273	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	2,185,000	0	250,000	1,935,000	250,000
<b>Total General Obligation Bonds</b>	<b>9,008,478</b>	<b>1,815,000</b>	<b>2,525,205</b>	<b>8,298,273</b>	<b>590,000</b>
<i>Other Long-Term Obligations</i>					
OPWC Loan 2013 0% - \$216,650	0	205,415	0	205,415	0
Riverside Park Tractor Loan 2011 2.50% - \$10,808	6,999	0	3,609	3,390	3,390
Riverside Park RTV Loan 2011 2.88% - \$10,835	4,324	0	3,698	626	626
Capital Leases	1,753,044	24,251	407,976	1,369,319	335,784
Compensated Absences	1,610,310	1,096,510	980,738	1,726,082	1,055,041
Ohio Bureau of Workers' Compensation					
Retrospective Rating Program Claims	157,068	170,847	181,006	146,909	146,909
<b>Total Other Long-Term Obligations</b>	<b>3,531,745</b>	<b>1,497,023</b>	<b>1,577,027</b>	<b>3,451,741</b>	<b>1,541,750</b>
<b>Total Governmental Activities</b>	<b>\$12,540,223</b>	<b>\$3,312,023</b>	<b>\$4,102,232</b>	<b>\$11,750,014</b>	<b>\$2,131,750</b>

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

**SCIOTO COUNTY, OHIO**  
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	General Obligation		Riverside Park Equipment		Totals	
	Bonds		Loans			
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$590,000	\$340,645	\$4,016	\$45	\$594,016	\$340,690
2015	610,000	323,791	0	0	610,000	323,791
2016	625,000	303,678	0	0	625,000	303,678
2017	575,000	282,188	0	0	575,000	282,188
2018	600,000	261,888	0	0	600,000	261,888
2019-2023	2,725,000	962,383	0	0	2,725,000	962,383
2024-2028	2,180,000	395,791	0	0	2,180,000	395,791
2029-2031	390,000	19,500	0	0	390,000	19,500
Totals	\$8,295,000	\$2,889,862	\$4,016	\$45	\$8,299,016	\$2,889,907

The County's total legal debt margin was \$21,389,277 at December 31, 2013, with an unvoted debt margin of \$8,539,838 at December 31, 2013.

**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, 2013, is \$21,600,000.

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 remaining balance of the bonds was retired during 2013.

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, 2013, is \$1,115,000.

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, 2013, is \$450,000.

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, 2013, is \$114,825,000.

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

**SCIOTO COUNTY, OHIO**  
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**NOTE 17 - BOND ANTICIPATION NOTES PAYABLE**

During 2013, the County retired the Commercial Property Acquisition Bond Anticipation Note in the amount of \$137,000 and reissued the note in the amount of \$112,000. The note is presented as a fund liability on the financial statements. The note will mature on September 11, 2014.

During 2013, the County retired the Various Purpose Bond Anticipation Note in the amount of \$350,000.

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

<i>Types / Issues</i>	<i>Balance at 12/31/12</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance at 12/31/13</i>
<b><u>Governmental Activities</u></b>				
Commercial Property Acquisition				
Bond Anticipation Note				
September 13, 2012 - 3.50% - \$137,000	\$137,000	\$0	\$137,000	\$0
September 12, 2013 - 3.00% - \$112,000	0	112,000	0	112,000
Various Purpose Bond				
Anticipation Note				
September 13, 2012 - 4.75% - \$350,000	350,000	0	350,000	0
Total Governmental Activities	<u>\$487,000</u>	<u>\$112,000</u>	<u>\$487,000</u>	<u>\$112,000</u>

**NOTE 18 - INTERFUND ACTIVITY**

Interfund balances at December 31, 2013, consist of the following individual fund receivables and payables:

	Receivables					Total
	General	Public Assistance	Motor Vehicle Gas Tax	Children Services	Nonmajor	
					Governmental Funds	
Payables						
General	\$0	\$12,583	\$0	\$0	\$0	\$12,583
Public Assistance	0	0	0	0	25,048	25,048
Board of Developmental Disabilities	100	0	0	0	0	100
Nonmajor Governmental Funds	14,713	16,779	232,100	1,293	0	264,885
Total	<u>\$14,813</u>	<u>\$29,362</u>	<u>\$232,100</u>	<u>\$1,293</u>	<u>\$25,048</u>	<u>\$302,616</u>

The Motor Vehicle Gas Tax Fund advanced money to purchase supplies and equipment to the County Sign Upgrade Project and the Hayport Bridge Construction Nonmajor Governmental 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.

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Transfers made during the year ended December 31, 2013 were as follows:

	Transfers To		
	Public	Nonmajor	Total
	Assistance	Governmental Funds	
Transfers From			
General	\$241,995	\$1,299,579	\$1,541,574
Motor Vehicle Gas Tax	0	3,230	3,230
Board of Developmental Disabilities	0	488	488
Nonmajor Governmental Funds	0	41,100	41,100
<b>Total</b>	<b>\$241,995</b>	<b>\$1,344,397</b>	<b>\$1,586,392</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. Real Estate monies were transferred to other real estate funds to help with expenditures.

**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.

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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The ADAMHS Board received a contribution from the County of \$2,000 during 2013.

**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 Council exercises total control over of operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Council. The Ohio Valley Resource Conservation and Development Area, Inc. received no contributions from the County during 2013; 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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The Workforce Investment Board received no contributions from the County during 2013.

**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 Commission exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Commission. The County contributed \$13,477 to the Commission during the year.

**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 organization exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation in the organization. In 2013, 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. The Initiative exercises total control over its operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation with the organization. During 2013, 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 exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation in the Authority. The Authority received no contributions from the County during 2013.

**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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The County paid the Council \$192,358 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.

**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 members' proportionate share.

The District is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future. The County's investment interest in the District was \$174,474 as of December 31, 2013. Complete financial statements can be obtained from the Scioto County Auditor's Office at 602 7<sup>th</sup> Street, Room 103, 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 2013 was \$379,416. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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**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 – SIGNIFICANT COMMITMENTS**

**Contractual Commitments**

As of December 31, 2013, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2013
<i>Roof - N.M.E. Builder &amp; Designers</i>	\$264,000	\$172,589	\$91,411
<i>Website Upgrade - Manatron</i>	6,200	0	6,200
<i>Manufactured Home Valuation - Tyler Technologies, Inc.</i>	63,000	56,440	6,560
<i>Triennial Update - Tyler Technologies, Inc.</i>	61,000	48,940	12,060
<i>Eden Park Sanitary Sewer Project - Strand &amp; Associates</i>	763,000	694,167	68,833
<i>Eden Park Sanitary Sewer Project - J &amp; H Reinforcing</i>	2,249,073	1,754,993	494,080
<i>Minford Sewer Extension - EMH&amp;T</i>	3,958,000	2,598,266	1,359,734
Total	<u>\$7,364,273</u>	<u>\$5,325,395</u>	<u>\$2,038,878</u>

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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Governmental Funds:	
General	\$317,678
Public Assistance	396,188
Motor Vehicle Gas Tax	128,590
Board of Developmental Disabilities	44,100
Children Services	30,110
Nonmajor Governmental Funds	<u>273,099</u>
Total Governmental Funds	1,189,765
Proprietary Funds:	
Sanitary Sewer	403,145
Total	<u><u>\$1,592,910</u></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, 2013, to December 31, 2013, 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 2013, these contributions were \$193,681.

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 2013, these contributions were \$49,910.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

**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	\$108,142	\$118,642	\$0	\$65,930	\$2,379	\$14,362	\$309,455
Materials and Supplies Inventory	19,262	15,073	261,791	10,242	500	4,312	311,180
Unclaimed Monies	308,603	0	0	0	0	0	308,603
<b><i>Total Nonspendable</i></b>	<b>436,007</b>	<b>133,715</b>	<b>261,791</b>	<b>76,172</b>	<b>2,879</b>	<b>18,674</b>	<b>929,238</b>
<b><i>Restricted for</i></b>							
Human Service Programs	0	1,464,058	0	0	0	1,933,662	3,397,720
Public Works	0	0	2,794,200	0	0	0	2,794,200
Health Programs	0	0	0	2,531,918	1,296,269	179,308	4,007,495
Judicial Programs	0	0	0	0	0	506,551	506,551
Public Safety Programs	0	0	0	0	0	2,722,409	2,722,409
Economic Development and Assistance	0	0	0	0	0	780,932	780,932
Transportation	0	0	0	0	0	65,151	65,151
Capital Improvements	0	0	0	0	0	100,000	100,000
Debt Service	0	0	0	0	0	40,965	40,965
Other Purposes	0	0	0	0	0	1,384,421	1,384,421
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,464,058</b>	<b>2,794,200</b>	<b>2,531,918</b>	<b>1,296,269</b>	<b>7,713,399</b>	<b>15,799,844</b>
<b><i>Committed to</i></b>							
Judicial Programs	0	0	0	0	0	330,459	330,459
<b><i>Assigned to</i></b>							
Debt Service	1,185	0	0	0	0	17,580	18,765
Unpaid Obligations	128,916	0	0	0	0	0	128,916
Public Safety Programs	78,375	0	0	0	0	0	78,375
Other Purposes	57,608	0	0	0	0	0	57,608
<b><i>Total Assigned</i></b>	<b>266,084</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,580</b>	<b>283,664</b>
<b><i>Unassigned (Deficit)</i></b>	<b>5,628,117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(26,588)</b>	<b>5,601,529</b>
<b><i>Total Fund Balances</i></b>	<b>\$6,330,208</b>	<b>\$1,597,773</b>	<b>\$3,055,991</b>	<b>\$2,608,090</b>	<b>\$1,299,148</b>	<b>\$8,053,524</b>	<b>\$22,944,734</b>

**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. Also see Note 27.

**NOTE 27 – SUBSEQUENT EVENTS**

On March 13, 2014, the County entered into a contractual obligation with Tri-State Pipeline, Inc. for the amount of \$4,004,250 for the Minford Area Sanitary Sewer System.

On March 18, 2014, the County issued Sanitary Sewer System Revenue Bonds, series 2014A, for the amount of \$9,000,000 for the purpose of paying part of the cost of constructing certain sewer improvements to the Minford area.

On March 18, 2014, the County issued Sanitary Sewer System Revenue Bonds, series 2014B, for the amount of \$5,912,000 for the purpose of paying part of the cost of constructing certain sewer improvements to the Minford area.

On April 1, 2014, the County Sanitary Engineer's Office assumed control of operations of the Village of South Webster Sewer System.

On April 3, 2014 the County issued series 2014 Various Purpose Refunding Bonds in the amount of \$4,880, 000 for the purpose of refunding the 2004 County Jail bonds.

On June 30, 2014 the County's fiscal emergency status was terminated by the Auditor of State of Ohio.

**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.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2013

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Capital Assets - A summary of STAR, Inc.'s capital assets at December 31, 2013, follows:

Machinery and Equipment	\$280,819
Less: Accumulated Depreciation	<u>(239,296)</u>
Total Capital Assets (Net)	<u><u>\$41,523</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.

During 2013, it was determined that STAR, Inc. had several corrections to the 2012 information provided during the prior year audit. These changes resulted in a restatement due to differences in the cash balances and receivables, accounts payable and accrued wages, and adjustments to depreciation. These restatements had the following effect on Net Position:

Net Position at December 31, 2012, as Previously Reported	\$164,039
Cash	39,308
Accounts Receivable and Inventory	(541)
Capital Assets, Net of Accumulated Depreciation	(27,889)
Accounts Payable	(2,137)
Accrued Wages	<u>(37,932)</u>
Net Position at December 31, 2012, as Restated	<u><u>\$134,848</u></u>

**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.

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

Capital Assets - A summary of the Scioto County Airport Authority's capital assets at December 31, 2013, follows:

Land	\$365,737
Land Improvements	1,318,753
Buildings	1,756,801
Machinery and Equipment	167,709
Vehicles	142,950
Less: Accumulated Depreciation	<u>(1,316,578)</u>
Total Capital Assets (Net)	<u><u>\$2,435,372</u></u>

**Scioto County**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2013**

<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 AGRICULTURE</u></b>			
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities Program			
Water and Waste Disposal Systems for Rural Communities - Grant	N/A	10.760	\$ 605,963
Water and Waste Disposal Systems for Rural Communities - Loan	N/A		804,008
Total Water and Waste Disposal Systems for Rural Communities Program			<u>1,409,971</u>
<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/G-1415-11-5423	10.561	470,349
Total U.S. Department of Agriculture			1,880,320
<b><u>UNITED STATES DEPARTMENT OF COMMERCE</u></b>			
<i>Direct from the Economic Development Administration</i>			
Economic Adjustment Assistance	N/A	11.307	438,886
Total U.S. Department of Commerce			438,886
<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-12-1CP-1	14.228	225,321
Community Housing Improvement Program	B-C-12-1-CP-1		110,491
CDBG Revolving Loan	N/A		234
Total Community Development Block Grants/State's Program			<u>336,046</u>
<i>Passed through Ohio Department of Development:</i>			
Home Investment Partnerships Program	B-C-12-1-CP-2	14.239	163,139
Total U.S. Department of Housing and Urban Development			499,185
<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	8,197
Total U.S. Department of the Interior			8,197
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Direct from the United States Marshals Service</i>			
Equitable Sharing Program	N/A	16.922	53,475
<i>Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster:</i>			
<i>Passed through the City of Portsmouth, Ohio</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2010-DJ-BX-0253	16.738	7,453
	2011-DJ-BX-3293		2,163
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>9,616</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SB-B9-0988	16.804	54,061
Total Passed Through The City of Portsmouth, Ohio			63,677
<i>Passed through the Ohio Department of Public Safety, Office of Criminal Justice</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2009-JG-COV-V6885	16.738	44,518
	2011-JG-A02-6611		3,062
Total Passed Through The Ohio Department of Public Safety, Office of Criminal Justice			<u>47,580</u>
Total Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster			<u>111,257</u>
Total U.S. Department of Justice			164,732

(Continued)

**Scioto County**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2013**

<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	3-39-0069-1612	20.106	126,644
	3-39-0069-1713		<u>72,887</u>
Total Airport Improvement Program			199,531
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID92742	20.205	15,665
	PID93896		21,000
	PID94559		14,987
	PID93991		40,000
	PID95634		494,691
	PID95269		330,071
	PID95270		79,877
	PID94606		<u>17,957</u>
Total Highway Planning and Construction			1,014,248
Formula Grants for Rural Areas	RPT-0073-029-133	20.509	4,354
	RPT-0073-032-122		7,521
	RPT-4073-031-121		29,967
	RPT-4073-030-131		344,188
	RPT-0073-033-132		<u>133,111</u>
Total Formula Grants for Rural Areas			519,141
Total Passed Through Ohio Department of Transportation			1,533,389
<i>Passed Through Ohio Department of Public Safety, Office of Criminal Justice Services</i>			
State and Community Highway Safety	HVEO-2013-73-00-00-00380-00	20.600	24,877
	HVEO-2014-73-00-00-00401-00		<u>5,655</u>
Total State and Community Highway Safety			30,532
Total U.S. Department of Transportation			1,763,452
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Education:</i>			
Special Education- Grants to States	078063-6BSF-2013	84.027	46,885
	078063-6BSF-2014		<u>26,525</u>
Total Special Education- Grants to States			73,410
Special Education- Preschool Grants	078063-PGS1-2013	84.173	11,761
	078063-PGS1-2014		<u>4,587</u>
Total Special Education- Preschool Grants			16,348
Total Special Education Cluster			<u>89,758</u>
Total Passed through the Ohio Department of Education			89,758
<i>Passed through Ohio Department of Health</i>			
Special Education-Grants for Infants and Families	73-1-001-1-IHO-213	84.181	12,220
	73-1-001-1-IHO-314		<u>1,867</u>
Total Special Education - Grants for Infants and Families			14,087
Total Passed through the Ohio Department of Health			<u>14,087</u>
Total United States Department of Education			103,845
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through the Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	G-1213-11-0111/G-1415-11-5424	93.556	53,284
Child Support Enforcement	G-1213-11-0110/G-1415-11-5423	93.563	661,610
Community-Based Child Abuse Prevention Grants	G-1213-11-0111	93.590	2,000
Stephanie Tubbs Jones Child Welfare Services Program	G-1213-11-0111/G-1415-11-5424	93.645	105,466
Foster Care Title IV-E	G-1213-11-0111/G-1415-11-5424	93.658	822,461
Adoption Assistance	G-1213-11-0111/G-1415-11-5424	93.659	178,119
Chafee Foster Care Independence Program	G-1213-11-0111/G-1415-11-5424	93.674	36,343
Social Services Block Grant	G-1213-11-0110/G-1415-11-5423	93.667	531,297
Children's Health Insurance Program	G-1213-11-0110/G-1415-11-5423	93.767	8,067

(Continued)

**Scioto County**  
**Schedule of Federal Awards Expenditures**  
**For the Year Ended December 31, 2013**

<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-1415-11-5423	93.558	3,085,036
Child Care and Development Block Grant	G-1213-11-0110/G-1415-11-5423	93.575	138,428
Medical Assistance Program	G-1213-11-0110/11/G-1415-11-5423	93.778	<u>810,533</u>
Total Passed through the Ohio Department of Job and Family Services			6,432,644
<i>Passed through Ohio Developmental Disabilities Council</i>			
Developmental Disabilities Basic Support and Advocacy Grants	12CL08TR12	93.630	3,369
<i>Passed through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	N/A	93.667	53,238
Medical Assistance Program - Medicaid Administrative Claiming (MAC)	N/A	93.778	<u>236,257</u>
Total Passed through the Ohio Department of Developmental Disabilities			289,495
<i>Passed through Ohio Department of Health</i>			
Universal Newborn Hearing Screening	73-1-001-1-IHO-213 73-1-001-1-IHO-314	93.251	2,189 <u>1,583</u> 3,772
Centers for Disease Control and Prevention_Investigations and Technical Assistance	73-1-001-1-IHO-213 73-1-001-1-IHO-314	93.283	553 <u>1,063</u> 1,616
Maternal and Child Health Services Block Grant to the States	73-1-001-1-IHO-213 73-1-001-1-IHO-314	93.994	3,109 <u>2,297</u> 5,406
Total Passed through Ohio Department of Health			<u>10,794</u>
Total United States Department of Health and Human Services			6,736,302
<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	G11OH0001A G12OH0001A	95.001	35,125 <u>26,278</u>
Total U.S. Executive Office of the President			61,403
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2012-EP-00004-S01 EMW-2013-EP-00060-S01	97.042	28,731 <u>8,646</u>
Total Passed through the Ohio Emergency Management Agency			<u>37,377</u>
Total U.S. Department of Homeland Security			<u>37,377</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>\$ 11,693,699</u></b>

See accompanying notes to the schedule of federal awards expenditures.

**Scioto County, Ohio**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2013*

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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 2013 is as follows:

Beginning loans receivable balance as of January 1, 2013	\$52,729
Loans made	0
Loans written off	0
Loan principal repaid	(3,687)
Ending loans receivable balance as of December 31, 2013	49,042
Cash balance on hand in the revolving loan fund as of December 31, 2013	11,288
Administrative costs expended during 2013	234
Total value of RLF portion of the CDBG Program	60,564
Other grants administered through the CFDA # 14.228 Program	335,812
Total CDBG CFDA # 14.228 Program	\$396,376
Delinquent Amounts Due as of December 31, 2013	\$0

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, 2013 was \$6,759. There were no receipts or expenditures from the account during 2013.

**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, Ohio**  
*Notes to the Schedule of Federal Awards Expenditures*  
*For the Year Ended December 31, 2013*

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**NOTE D – UNITED STATES DEPARTMENT OF AGRICULTURE GRANT/LOAN**

In December of 2012, the County received a grant payment and a loan payment from the United States Department of Agriculture Water and Waste Disposal Systems Program (CFDA #10.760). The expenditures related to these payments were made by the County for the Eden Park Project from 2009 - 2012 (with the exception of one \$15,000 expenditure, paid in 2013). An interim loan in the amount of \$129,000 was obtained from the Ohio Water Development Authority in 2009 and reported on the County's Federal Awards Expenditure Schedule in 2011. With the exception of expenditures related to the OWDA interim loan, the expenditures related to these payments have not previously been reported on the Schedule. The County also received and expended both grant and loan funding from the Water and Waste Disposal Systems Program in 2013.

	Grant Proceeds	Loan Proceeds
Funding received in 2012 for expenditures dated 2009-2012:	\$32,477	\$353,263
Less amount related to OWDA interim loan, previously reported in 2011:	0	(129,000)
Amount reported related to funding received in 2012, expended 2009-2012:	32,477	224,263
 Funding expended in 2013:	 573,486	 579,745
 Total federal expenditures reported on 2013 Schedule:	 \$ 605,963	 \$ 804,008

**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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2014.

**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 a certain deficiency in internal control that we consider to be a material weakness.

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. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **County's Response to Findings**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 30, 2014

**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, 2013. 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 Grants 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 2013-2 for Reporting, 2013-3 for Activities Allowed or Unallowed/Allowable Costs/Cost Principles/Special Tests and Provisions, 2013-4 for Subrecipient Monitoring, and 2013-5 for Program Income/Special Tests and Provisions, and regarding CFDA #14.228 Community Development Block Grants/State's Program as described in finding 2013-6 for Cash Management, 2013-7 for Davis Bacon, and 2013-8 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 Grants 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, 2013.

**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, 2013.

**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 items 2013-9. Our opinion on the 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 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-2 through 2013-9 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, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.

June 30, 2014

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

**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?	No
<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)  Temporary Assistance for Needy Families (TANF) (CFDA #93.558)  Highway Planning and Construction (CFDA#20.205)  Formula Grants for Rural Areas (CFDA#20.509)  Child Support Enforcement (CFDA#93.563)  Water and Waste Disposal Systems for Rural Communities Program (CFDA#10.760)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$350,810 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, 2013*

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**Section II – Financial Statement Findings**

**Finding 2013-1**

**Material Weakness – 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
- Untimely deposits
- Financial reports provided to the Board were inaccurate

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. Additionally, the canceled checks should be reviewed to ensure proper payee and endorsement.
- 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.
- Supporting documentation should be maintained for all checks written.
- 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:**

In May of 2013, upon receiving notification pertaining to issues present in year ended December 31, 2012 but crossing over into year ended December 31, 2013, our organization implemented a number of internal controls specifically designed to mitigate the material weaknesses listed and referencing section 892. These internal controls include:

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
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*For the Year Ended December 31, 2013*

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- Bank accounts, operating accounts, and credit card accounts are all reconciled by the 15th day of the following month. As part of this reconciliation process the canceled checks are obtained and reviewed. As a measure to test, monitor, and maintain the effectiveness of this internal control, we have contracted an external certified public accountant to review the finished reconciliation for completeness and accuracy.
- Although the use of computerized signatures may pose additional risks our organization, as of May 2013 our organization has implemented a strategy to mitigate the cited material weakness by closely monitoring any checks printed and released from our organization. All accounts payable checks and corresponding invoices are made available for review of the Director or a separate designee from the office manager immediately upon check batch completion as evidenced by reviewer's signature on both the corresponding invoice and the third part of the three part check forms. In additional efforts to mitigate said material weakness, all accounts payable checks and corresponding invoices are made available for review of the Director or a separate designee from the office manager once again on or before the 6th day of the following month.
- Bank accounts, operating accounts, and credit card accounts are all reconciled by the 15th day of the following month. As part of this reconciliation process the actual charges and business purpose for the charges are also reviewed. As a measure to test, monitor, and maintain the effectiveness of this internal control, we have contracted an external certified public accountant to review the finished reconciliation for completeness and accuracy.
- Bank accounts, operating accounts, and credit card accounts are all reconciled by the 15th day of the following month. As a measure to test, monitor, and maintain the effectiveness of this internal control, we have contracted an external certified public accountant to review the finished reconciliation for completeness and accuracy. As part of this reconciliation process the material weakness cited as inaccurate bank reconciliations; lack of review of reconciliations has been effectively mitigated.
- Bank accounts, operating accounts, and credit card accounts are all reconciled by the 15th day of the following month. As a measure to test, monitor, and maintain the effectiveness of this internal control, we have contracted an external certified public accountant to review the finished reconciliation for completeness and accuracy. As part of this reconciliation process the timing of deposits vs. invoices vs. recorded deposits will be examined first by the reconciler and secondarily by the external CPA.
- All accounts payable checks and corresponding invoices are made available for review of the Director or a separate designee from the office manager on or before the 6th day of the following month. As part of the review and approval process, the Director or designee will ensure all supporting documentation is maintained.
- As mentioned, our organization has contracted an external CPA to review our accounting procedures and to review certain sample transactions for accuracy and completeness. In addition to maintaining the accuracy of our records, the external CPA will aid in drafting financial statements intended for management use only.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

**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 2013-2**

**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 (From 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. 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.

**Responsible Official’s Response and Corrective Action Planned:**

The County agrees with the issue and is aware reports have not been filed with EDA. Efforts have been made to work with EDA to resolve this issue but the program is currently suspended.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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**Planned Implementation Date of Corrective Action:**

Unknown

**Person Responsible for Corrective Action:**

Board of Commissioners

<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 2013-3**

**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 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 withdraw 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, 2012 through March 31, 2013, administrative expenses exceeded RLF income by \$15,984. This resulted in \$15,984 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.

**Responsible Official’s Response and Corrective Action Planned:**

The County agrees with this issue and believes this issue was resolved as of September 30, 2013, when RLF income exceeded the administrative expenses. Additionally, the County did pay back funds to EDA.

**Planned Implementation Date of Corrective Action:**

September 30, 2013

**Person Responsible for Corrective Action:**

Board of Commissioners

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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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 2013-4**

**Noncompliance/Material Weakness – Subrecipient Monitoring**

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. A pass-through entity needs to establish an appropriate subrecipient monitoring process to decide what, if any, additional monitoring procedures may be necessary to ensure the subrecipients' compliance.

For the audit period it was noted that two of the subrecipients were in default of their loan agreements. The County had agreements in place with the borrowers that stated that the borrower will deliver to the lender (the County) within 15 days of the ending of each quarter, the following financial reports:

1. quarterly accounts receivable listing and aging
2. quarterly accounts payable listing and aging
3. quarterly internally prepared financial statements along with a certification of compliance with covenants contained in the credit agreements from the senior lender
4. annual audited financial statements prepared by an independent auditor acceptable to Scioto County
5. annual personal financial statements from each guarantor in a form satisfactory to Scioto County.

Additionally, the agreements state that in the event of default, the borrower for such period of time as the borrower remains in default of the above enumerated financial reported items, shall be provided by borrower on a monthly basis and provided within seven (7) days of the end of each month.

The agreements also require annual audited financial statements prepared by an independent auditor chosen by or acceptable to the County.

Furthermore, the agreement states that the borrower will deliver to the lender (County) within fifteen (15) days after a written request from the lender such information as deemed reasonably necessary to determine compliance with its covenants and agreements contained in the loan agreement or an event of default has occurred.

The County did not request or obtain any of the information listed above from borrowers, nor was there any other evidence of subrecipient monitoring. The County should monitor subrecipients in accordance with its loan agreements which would in turn satisfy federal requirements.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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**Responsible Official's Response and Corrective Action Planned:**

The County agrees with this issue and is currently working with the Assistant Prosecuting Attorney to develop a plan to monitor subrecipients in accordance with its loan agreement. A new RLF Manager was hired in May 2013.

**Planned Implementation Date of Corrective Action:**

December 31, 2014

**Person Responsible for Corrective Action:**

Board of Commissioners

<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 2013-5**

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

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) Income must be placed into the RLF Capital base for the purpose of making loans or payment 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 withdraw 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 April 1, 2013 through September 30, 2013, RLF income exceeded administrative expense by \$793.35. This resulted in \$793.35 that should have been paid into the RLF capital and used for lending.

Since the semi-annual reports were not filed it could not be determined if the County properly included this amount in the RLF capital base.

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

**Responsible Official's Response and Corrective Action Planned:**

The County agrees with this issue and will monitor this issue in the future. If the RLF income exceeds administrative expenses, the County will transfer those funds to the RLF capital for lending purposes.

**Planned Implementation Date of Corrective Action:**

September 2014

**Person Responsible for Corrective Action:**

Board of Commissioners

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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<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-12-1CP-1 and B-C-12-1CP-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2013-6**

**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.

**Responsible Official's Response and Corrective Action Planned:**

The County agrees with the finding. The County will work to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. The County will work to keep the balance of the funds less than \$5,000.

**Planned Implementation Date of Corrective Action:**

Immediately

**Person Responsible for Corrective Action:**

Board of Commissioners

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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<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-12-1CP-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Entity</b>	Ohio Department of Development

**Finding 2013-7**

**Noncompliance/Material Weakness – Davis Bacon**

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors. The County should ensure that weekly certified payrolls are obtained from all contractors and subcontractors.

**Responsible Official's Response and Corrective Action Planned:**

The County agrees with the finding. The contractor's payroll reports were submitted to the state on June 18, 2014.

**Planned Implementation Date of Corrective Action:**

June 18, 2014

**Person Responsible for Corrective Action:**

Board of Commissioners

<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 2013-8**

**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.

The County did not file a semi-annual report for the periods ending December 31, 2012 or June 30, 2013 during the audit period.

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.

**Scioto County Financial Condition**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133 Section .505*  
*For the Year Ended December 31, 2013*

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**Responsible Official’s Response and Corrective Action Planned:**

The County agrees with the finding. The CDBG RLF semi-annual report ending June 30, 2013, was submitted to the state on August 23, 2013. The CDBG RLF semi-annual report ending December 31, 2013, was submitted to the state on May 2, 2014.

**Planned Implementation Date of Corrective Action:**

May 2, 2014

**Person Responsible for Corrective Action:**

Board of Commissioners

<b>CFDA Title and Number</b>	Water and Waste Disposal Systems for Rural Communities Program, CFDA #10.760
<b>Federal Award Number and Year</b>	N/A
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Entity</b>	N/A

**Finding 2013-9**

**Noncompliance/Material Weakness – Davis Bacon**

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statements of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors. The County should ensure that weekly certified payrolls are obtained from all contractors and subcontractors.

**Responsible Official’s Response and Corrective Action Planned:**

The County agrees with the issue. A contract was in force at the time I took the prevailing wage coordinator position. Notification was made to the contractor regarding the compliance requirement and now certified payroll reports are up to date and are being received as required.

**Planned Implementation Date of Corrective Action:**

June 25, 2014

**Person Responsible for Corrective Action:**

Prevailing Wage Coordinator

**Scioto County Financial Condition**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2013*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2012-1	Noncompliance Citation/ Material Weakness – Not Adjusted from Previous Audit	Yes	
Finding 2012-2	Noncompliance Citation/Negative Fund Balance	Yes	
Finding 2012-3	Noncompliance Citation/Material Weakness – Payroll Taxes, Internal Controls & Financial Monitoring – STAR, Inc.	No	Reissued as Finding 2013-1
Finding 2012-4	Noncompliance Citation/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles/Special Tests and Provisions – Economic Adjustment Assistance, CFDA #11.307	No	Reissued as Finding 2013-3
Finding 2012-5	Noncompliance Citation/Material Weakness – Reporting – Economic Adjustment Assistance, CFDA #11.307	No	Reissued as Finding 2013-2
Finding 2012-6	Noncompliance Citation/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles – Community Development Block Grants/State’s Program, CFDA #14.228	Yes	
Finding 2012-7	Noncompliance Citation/Material Weakness – Cash Management – Community Development Block Grants/State’s Program, CFDA #14.228	No	Reissued as Finding 2013-6

**Scioto County Financial Condition**  
*Schedule of Prior Audit Findings*  
*OMB Circular A-133 Section .315(b)*  
*For the Year Ended December 31, 2013*

Finding 2012-8	Noncompliance Citation/Material Weakness – Special Tests and Provisions – Community Development Block Grants/State’s Program, CFDA #14.228	No	Reissued in management letter
Finding 2012-9	Noncompliance/Material Weakness – Reporting – Community Development Block Grants/State’s Program, CFDA #14.228	No	Reissued as Finding 2013-8
Finding 2012-10	Noncompliance – Nine Month Single Audit Submission Deadline	Yes	

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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