



Dave Yost • Auditor of State

SCIOTO COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2016, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, each major fund, and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities and Children Services Funds thereof for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2017

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SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

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, 2016.

FINANCIAL HIGHLIGHTS

The County's total net position increased \$7,732,966 during 2016. Net position of governmental activities increased \$8,002,592. Net position of the business-type activity decreased \$269,626.

General revenues of governmental activities accounted for \$24,902,201. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$38,297,730.

The Sewer Enterprise Fund reflected operating income of \$376,767.

The County had \$55,212,339 in expenses related to governmental activities: \$38,297,730 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 \$24,902,201 were more than adequate to provide for these programs. The County had \$4,573,364 in expenses related to its business-type activity; \$4,289,996 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 those net positions. 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
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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., the Scioto County Airport Authority, and the Scioto County Land Reutilization Corporation are component units of Scioto County, are presented in a single column on the Statement of Net Position and are combined together on the Statement of Activities. The component units are presented in individual columns on the Condensed Component Unit Statements in Note 27. While the County provides services and resources to STAR, Inc., the Scioto County Airport Authority and the Scioto County Land Reutilization Corporation, 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 11. 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 2016 compared to 2015.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and						
Other Assets	\$50,431,810	\$46,095,015	\$6,248,653	\$6,352,936	\$56,680,463	\$52,447,951
Investment in						
Joint Venture	133,444	170,941	0	0	133,444	170,941
Capital Assets,						
Net of Depreciation	92,848,382	88,018,056	50,592,391	51,436,239	143,440,773	139,454,295
Total Assets	<u>143,413,636</u>	<u>134,284,012</u>	<u>56,841,044</u>	<u>57,789,175</u>	<u>200,254,680</u>	<u>192,073,187</u>
Deferred Outflows of Resources						
Deferred Charge on						
Refunding	164,840	178,205	11,312	22,629	176,152	200,834
Pension	10,179,459	3,272,277	360,856	119,666	10,540,315	3,391,943
Total Deferred Outflows	<u>10,344,299</u>	<u>3,450,482</u>	<u>372,168</u>	<u>142,295</u>	<u>10,716,467</u>	<u>3,592,777</u>
Liabilities						
Current and Other						
Liabilities	4,743,597	4,119,190	671,281	622,041	5,414,878	4,741,231
Long-Term Liabilities:						
Due Within						
One Year	1,968,225	2,211,316	802,681	550,687	2,770,906	2,762,003
Due in More Than One Year						
Net Pension Liability	27,485,643	19,351,710	931,596	750,188	28,417,239	20,101,898
Other Amounts	7,045,013	8,107,268	22,604,615	23,600,273	29,649,628	31,707,541
Total Liabilities	<u>41,242,478</u>	<u>33,789,484</u>	<u>25,010,173</u>	<u>25,523,189</u>	<u>66,252,651</u>	<u>59,312,673</u>
Deferred Inflows of Resources						
Property Taxes	8,865,279	8,325,841	0	0	8,865,279	8,325,841
Revenue in Lieu of Taxes	19,800	19,800	0	0	19,800	19,800
Pension	595,597	567,180	77,361	12,977	672,958	580,157
Total Deferred Inflows	<u>9,480,676</u>	<u>8,912,821</u>	<u>77,361</u>	<u>12,977</u>	<u>9,558,037</u>	<u>8,925,798</u>
Net Position						
Net Invested in						
Capital Assets	84,845,207	79,996,053	27,347,120	27,137,690	112,192,327	107,133,743
Restricted for:						
Debt Service	29,206	26,048	0	0	29,206	26,048
Capital Projects	1,562,812	1,312,342	0	0	1,562,812	1,312,342
Other Purposes	22,510,047	19,853,491	0	0	22,510,047	19,853,491
Unrestricted	<u>(5,912,491)</u>	<u>(6,155,745)</u>	<u>4,778,558</u>	<u>5,257,614</u>	<u>(1,133,933)</u>	<u>(898,131)</u>
Total Net Position	<u>\$103,034,781</u>	<u>\$95,032,189</u>	<u>\$32,125,678</u>	<u>\$32,395,304</u>	<u>\$135,160,459</u>	<u>\$127,427,493</u>

SCIOTO COUNTY, OHIO
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The net pension liability (NPL) is the largest single liability reported by the County at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service;
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
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In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets of the County's governmental activities increased \$9,129,624. The increase was mainly due to an increase of \$3,223,176 in cash and cash equivalents mostly stemming from the County's General Fund and Board of Developmental Disabilities Fund. The General Fund increased primarily due to an increase in sales tax revenue, a result of the improving economy. The Board of Developmental Disabilities Fund increased mainly due to an increase in property taxes associated with the new tax levy in which 2016 was the first year of collections. Capital Assets, Net of Depreciation increased \$4,830,326 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 and street paving. The deferred outflows increased \$6,893,817 as a result of the net pension liability calculation.

The net pension liability increase of \$8,133,933 represents the County's proportionate share of the STRS and OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Net position of the County's governmental activities increased \$8,002,592 from the prior year. The majority of this increase is related to restricted net position. Restricted net position increased \$2,910,184 mostly due to revenues exceeding expenditures and transfers. The biggest change occurred with the Board of Developmental Disabilities Fund that had an increase in property taxes revenue mostly due to a new property tax levy in which collections began during 2016. Unrestricted net position increased \$243,254, which is insignificant.

Net position of the County's business-type activities decreased \$269,626. Total assets decreased \$948,131 mainly due to decrease in capital assets, net of depreciation. This decrease is a result of current year depreciation exceeding current year additions. Total liabilities decreased \$513,016 mainly due to the County making annual debt payments, which includes the first year a debt payment was made regarding the Minford Sewer System USDA loan. Unrestricted net position decreased \$479,056 mainly due to expenses outpacing revenues.

Table 2 shows the changes in net position for the years ended December 31, 2016, and 2015.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services and Sales	\$7,709,591	\$7,326,683	\$4,090,742	\$3,695,576	\$11,800,333	\$11,022,259
Operating Grants and Contributions	26,283,040	26,638,241	0	0	26,283,040	26,638,241
Capital Grants and Contributions	4,305,099	968,270	199,254	215,702	4,504,353	1,183,972
Total Program Revenues	38,297,730	34,933,194	4,289,996	3,911,278	42,587,726	38,844,472
General Revenues:						
Property Taxes	8,551,863	6,917,690	0	0	8,551,863	6,917,690
Other Local Taxes	467,847	464,546	0	0	467,847	464,546
Sales Tax	12,751,280	12,154,402	0	0	12,751,280	12,154,402
Revenue in Lieu of Taxes	196	205	0	0	196	205
Grants and Entitlements not Restricted to Specific Programs	1,905,452	2,226,581	0	0	1,905,452	2,226,581
Interest	108,191	7,173	0	0	108,191	7,173
Contributions and Donations	0	275	0	0	0	275
Miscellaneous	1,117,372	920,053	28,742	37,941	1,146,114	957,994
Total General Revenues	24,902,201	22,690,925	28,742	37,941	24,930,943	22,728,866
Total Revenues	63,199,931	57,624,119	4,318,738	3,949,219	67,518,669	61,573,338
Program Expenses						
General Government:						
Legislative and Executive	9,426,204	7,362,968	0	0	9,426,204	7,362,968
Judicial	3,251,852	2,794,910	0	0	3,251,852	2,794,910
Public Safety:						
Sheriff	6,978,670	5,772,588	0	0	6,978,670	5,772,588
Other	2,860,638	2,416,444	0	0	2,860,638	2,416,444
Public Works	4,105,875	7,923,126	0	0	4,105,875	7,923,126
Health	12,124,953	11,758,238	0	0	12,124,953	11,758,238
Human Services	13,588,455	12,794,293	0	0	13,588,455	12,794,293
Conservation and Recreation	841,457	421,744	0	0	841,457	421,744
Economic Development and Assistance	874,098	787,728	0	0	874,098	787,728
Transportation	866,218	750,149	0	0	866,218	750,149
Interest and Fiscal Charges	293,919	333,834	0	0	293,919	333,834
Sewer	0	0	4,573,364	1,878,029	4,573,364	1,878,029
Total Expenses	55,212,339	53,116,022	4,573,364	1,878,029	59,785,703	54,994,051
Change in Net Position						
Before Transfers	7,987,592	4,508,097	(254,626)	2,071,190	7,732,966	6,579,287
Transfers	15,000	30,000	(15,000)	(30,000)	0	0
Change in Net Position	8,002,592	4,538,097	(269,626)	2,041,190	7,732,966	6,579,287
Net Position at Beginning of Year - Restated						
	95,032,189	90,494,092	32,395,304	30,354,114	127,427,493	120,848,206
Net Position at End of Year	\$103,034,781	\$95,032,189	\$32,125,678	\$32,395,304	\$135,160,459	\$127,427,493

Governmental Activities

The County's direct charges to users of governmental services are \$7,709,591 of total governmental revenues for 2016. 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 \$382,908, which is insignificant.

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Management's Discussion and Analysis
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Unaudited

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. Capital grants and contributions increased mostly due to an increase in grant funding for County Engineer projects.

Sales tax collected by the County comprised \$12,751,280 of total governmental revenues for 2016, which was an increase of \$596,878 from 2015. Proceeds of the permissive sales tax are credited to the General Fund.

Health programs (including the Board of Developmental Disabilities) made up \$12,124,953 of total expenses and increased \$366,715 compared to 2015. Human services (including Public Assistance and Children Services) programs accounted for \$13,588,455 of total expenses for governmental activities. Human services increased \$794,162. General Government expenses accounted for \$12,678,056 of total expenses for governmental activities, an increase of \$2,520,178. Overall expenses increased mainly due to an increase in pension expense associated with the County reporting the OPERS and STRS net pension liabilities and the deferred outflows and deferred inflows associated with them.

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 decreased \$269,626 during 2016, which is much less than the \$2,041,190 increase during 2015. The decrease in 2016 is due to several expenditures in the prior year being capitalized as part of the Minford Sewer Project assets, a 2016 reduction in grant monies due to a reduction in grant-funded projects, and increased interest expense during 2016 associated with the first payment of the Minford Sewer Project USDA Loan.

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$62,650,240 and expenditures of \$60,062,206.

The General Fund balance increased \$1,401,767 in 2016. This was due to both an increase in Sales Tax revenues along with overall revenues exceeding non-capitalized expenditures due to the County closely monitoring spending.

The Public Assistance Fund balance increased \$331,405, which was mostly due to a decrease in expenditures as the County continued to monitor expenditures.

The Motor Vehicle Gas Tax Fund balance decreased \$706,228. This resulted from the County spending more due to an increase in road and bridge project expenditures.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
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Unaudited

The Board of Developmental Disabilities Fund balance increased \$1,328,252 in 2016. The increase is mainly due to the increase in Property Tax revenues associated with the new tax levy that was collected for the first time during 2016.

The Children Services Fund balance increased \$126,416, which is not significant.

The Sewer Fund reflects operating income of \$376,767 for 2016. 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.

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 2016, the County amended its General Fund budget as needed. There were no significant variances from original budget revenue amounts to the final budget revenue amounts. There were increases in actual revenue from final estimated revenue in 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 in legislative and executive due to greater costs associated with various purposes such as utilities, maintenance, supplies and health insurance costs which were not anticipated in the original budget. The variances from final budget expenditure amounts to actual amounts decreased in all expenditure categories with the largest in legislative and executive. This decrease was due to some expenditures that were initially budgeted for payment in 2016 but did not actually occur until 2017 and other expenses that were budgeted but were deemed not to occur during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2016, the County had additions to construction in progress and depreciable assets of \$3,583,921 and \$5,254,409, respectively, in the governmental activities. These were the result of various construction projects that were in process but not completed at year end, buildings and improvements, equipment and vehicle acquisitions, and infrastructure assets.

The additions to construction in progress and depreciable assets consisted of \$69,587 and \$76,071, respectively, in the business-type activities. These were related to sewer construction projects that were in process but not completed at year end along with equipment and vehicle acquisitions that occurred during the year. 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, 2016
Unaudited

Debt

At December 31, 2016, Scioto County had \$7,029,328 in long-term debt outstanding in governmental activities. This included \$6,623,516 of general obligation bonds and premium, and \$405,812 in capital leases.

The amount of long-term debt in the business-type activity was \$23,323,241 which consisted of \$2,123,913 in general obligation bonds, \$2,478,637 in Farmer's Home Administration (FHA) bonds, \$1,101,476 in Ohio Public Works Commission (OPWC) loans, and \$17,619,215 in the Ohio Water Development Authority (OWDA) and the United States Department of Agriculture (USDA) loans.

The County's long-term obligations also included compensated absences and net pension liability for governmental and business-type activities, as well as a liability for the Ohio Bureau of Workers' Compensation Retrospective Rating Program.

See Notes 15 and 16 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, 2016

Primary Government				
	Governmental Activities	Business-Type Activity	Total	Component Units
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$26,223,707	\$3,259,539	\$29,483,246	\$823,082
Cash and Cash Equivalents in Segregated Accounts	244,048	268,474	512,522	0
Accrued Interest Receivable	9,426	0	9,426	0
Materials and Supplies Inventory	394,950	10,172	405,122	7,983
Accounts Receivable	72,328	2,376,122	2,448,450	158,871
Prepaid Items	739,000	37,224	776,224	0
Sales Tax Receivable	3,330,637	0	3,330,637	0
Property Taxes Receivable	10,616,852	0	10,616,852	0
Revenue in Lieu of Taxes Receivable	19,800	0	19,800	0
Due from Other Governments	8,651,089	199,254	8,850,343	252,447
Loans Receivable	129,973	97,868	227,841	0
Investment in Joint Venture	133,444	0	133,444	0
Capital Assets:				
Land and Construction in Progress	5,330,773	555,561	5,886,334	365,737
Depreciable Capital Assets, Net	87,517,609	50,036,830	137,554,439	2,214,701
Total Assets	143,413,636	56,841,044	200,254,680	3,822,821
<u>Deferred Outflows Of Resources</u>				
Deferred Charge On Refunding	164,840	11,312	176,152	0
Pension	10,179,459	360,856	10,540,315	0
Total Deferred Outflows of Resources	10,344,299	372,168	10,716,467	0
<u>Liabilities:</u>				
Accounts Payable	941,503	81,941	1,023,444	126,981
Contracts Payable	2,479,522	37,800	2,517,322	227,927
Accrued Wages Payable	541,172	15,065	556,237	41,717
Due to Other Governments	598,383	119,555	717,938	0
Accrued Interest Payable	19,084	395,756	414,840	0
Matured Compensated Absences Payable	25,194	0	25,194	0
Compensatory Time Payable	64,574	17,877	82,451	0
Retainage Payable	74,165	3,287	77,452	68,544
Long-Term Liabilities:				
Due Within One Year	1,968,225	802,681	2,770,906	4,126
Due in More Than One Year:				
Net Pension Liability (See Note 12)	27,485,643	931,596	28,417,239	0
Other Amounts	7,045,013	22,604,615	29,649,628	4,815
Total Liabilities	41,242,478	25,010,173	66,252,651	474,110
<u>Deferred Inflows Of Resources</u>				
Property Taxes	8,865,279	0	8,865,279	0
Revenue In Lieu Of Taxes	19,800	0	19,800	0
Pension	595,597	77,361	672,958	0
Total Deferred Inflows Of Resources	9,480,676	77,361	9,558,037	0
<u>Net Position:</u>				
Net Investment in Capital Assets	84,845,207	27,347,120	112,192,327	2,554,645
Restricted for:				
Debt Service	29,206	0	29,206	0
Capital Projects	1,562,812	0	1,562,812	0
Public Safety	2,873,074	0	2,873,074	0
Human Services	6,064,927	0	6,064,927	0
Public Works	4,376,394	0	4,376,394	0
Health	5,651,284	0	5,651,284	0
Community and Economic Development	705,682	0	705,682	0
Transportation	147,955	0	147,955	0
Judicial	835,351	0	835,351	0
Legislative and Executive	104	0	104	0
Other Purposes	1,855,276	0	1,855,276	0
Unrestricted (Defecit)	(5,912,491)	4,778,558	(1,133,933)	794,066
Total Net Position	\$103,034,781	\$32,125,678	\$135,160,459	\$3,348,711

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
General Government:				
Legislative and Executive	\$9,426,204	\$1,969,852	\$0	\$0
Judicial	3,251,852	1,497,365	829,288	0
Public Safety:				
Sheriff	6,978,670	2,270,148	229,301	0
Other	2,860,638	412,298	1,006,487	0
Public Works	4,105,875	92,305	4,546,722	4,305,099
Health	12,124,953	391,992	6,815,854	0
Human Services	13,588,455	650,208	11,716,069	0
Conservation and Recreation	841,457	6,200	316,553	0
Economic Development and Assistance	874,098	24,054	294,745	0
Transportation	866,218	395,169	528,021	0
Interest and Fiscal Charges	293,919	0	0	0
<i>Total Governmental Activities</i>	55,212,339	7,709,591	26,283,040	4,305,099
<u>Business-Type Activity:</u>				
Sewer	4,573,364	4,090,742	0	199,254
<i>Total Primary Government</i>	\$59,785,703	\$11,800,333	\$26,283,040	\$4,504,353
<i>Component Units</i>	\$2,293,675	\$1,908,128	\$280,169	\$632,108

General Revenues:

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activity	Total	Component Units
(\$7,456,352)	\$0	(\$7,456,352)	\$0
(925,199)	0	(925,199)	0
(4,479,221)	0	(4,479,221)	0
(1,441,853)	0	(1,441,853)	0
4,838,251	0	4,838,251	0
(4,917,107)	0	(4,917,107)	0
(1,222,178)	0	(1,222,178)	0
(518,704)	0	(518,704)	0
(555,299)	0	(555,299)	0
56,972	0	56,972	0
(293,919)	0	(293,919)	0
(16,914,609)	0	(16,914,609)	0
0	(283,368)	(283,368)	0
(16,914,609)	(283,368)	(17,197,977)	0
0	0	0	526,730
1,913,259	0	1,913,259	0
5,696,118	0	5,696,118	0
837,427	0	837,427	0
105,059	0	105,059	0
467,847	0	467,847	0
12,751,280	0	12,751,280	0
196	0	196	0
1,905,452	0	1,905,452	0
108,191	0	108,191	1,550
1,117,372	28,742	1,146,114	0
24,902,201	28,742	24,930,943	1,550
15,000	(15,000)	0	0
24,917,201	13,742	24,930,943	0
8,002,592	(269,626)	7,732,966	528,280
95,032,189	32,395,304	127,427,493	2,820,431
\$103,034,781	\$32,125,678	\$135,160,459	\$3,348,711

SCIOTO COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2016

	General	Public Assistance	Motor Vehicle Gas Tax
	<hr/>	<hr/>	<hr/>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$8,768,053	\$1,560,507	\$2,048,377
Cash and Cash Equivalents in Segregated Accounts	206,042	6,594	0
Receivables:			
Sales Tax	3,330,637	0	0
Property Taxes	2,390,104	0	0
Accounts	64,328	0	0
Accrued Interest	9,426	0	0
Interfund	475,159	59,520	0
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	956,137	271,167	2,317,716
Prepaid Items	237,774	176,110	26,135
Materials and Supplies Inventory	60,217	18,039	307,112
Loans Receivable	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	155,752	0	0
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$16,653,629	\$2,091,937	\$4,699,340
	<hr/>	<hr/>	<hr/>
<u>Liabilities:</u>			
Accounts Payable	\$290,073	\$127,222	\$52,772
Contracts Payable	0	0	1,161,685
Accrued Wages Payable	179,588	108,179	78,877
Due to Other Governments	215,946	71,144	25,847
Interfund Payable	15,874	93,868	0
Retainage Payable	0	0	0
Matured Compensated Absences Payable	24,257	0	0
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	725,738	400,413	1,319,181
	<hr/>	<hr/>	<hr/>
<u>Deferred Inflows of Resources</u>			
Property Taxes not Levied to Finance Current Year Operations	1,982,018	0	0
Payment in Lieu of Taxes not Intended to Finance Current Year Operations	0	0	0
Unavailable Revenue	2,181,719	0	1,594,026
	<hr/>	<hr/>	<hr/>
<i>Total Deferred Inflows of Resources</i>	4,163,737	0	1,594,026
	<hr/>	<hr/>	<hr/>
<u>Fund Balances:</u>			
Nonspendable	453,743	194,149	333,247
Restricted	0	1,497,375	1,452,886
Committed	0	0	0
Assigned	389,664	0	0
Unassigned (Deficit)	10,920,747	0	0
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	11,764,154	1,691,524	1,786,133
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	\$16,653,629	\$2,091,937	\$4,699,340
	<hr/>	<hr/>	<hr/>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$2,581,699	\$1,271,978	\$9,837,341	\$26,067,955
0	0	31,412	244,048
0	0	0	3,330,637
6,939,170	1,159,175	128,403	10,616,852
45	0	7,955	72,328
0	0	0	9,426
0	93,868	19,755	648,302
14,400	3,600	1,800	19,800
2,268,586	552,257	2,285,226	8,651,089
190,099	43,697	65,185	739,000
6,145	500	2,937	394,950
0	0	129,973	129,973
0	0	0	155,752
<u>\$12,000,144</u>	<u>\$3,125,075</u>	<u>\$12,509,987</u>	<u>\$51,080,112</u>
\$268,414	\$121,989	\$81,033	\$941,503
0	0	1,317,837	2,479,522
59,418	31,966	83,144	541,172
179,808	15,873	89,765	598,383
0	0	538,560	648,302
0	0	74,165	74,165
937	0	0	25,194
<u>508,577</u>	<u>169,828</u>	<u>2,184,504</u>	<u>5,308,241</u>
5,801,961	969,663	111,637	8,865,279
14,400	3,600	1,800	19,800
<u>2,679,379</u>	<u>457,168</u>	<u>833,790</u>	<u>7,746,082</u>
<u>8,495,740</u>	<u>1,430,431</u>	<u>947,227</u>	<u>16,631,161</u>
196,244	44,197	68,122	1,289,702
2,799,583	1,480,619	9,360,714	16,591,177
0	0	290,484	290,484
0	0	22,884	412,548
0	0	(363,948)	10,556,799
<u>2,995,827</u>	<u>1,524,816</u>	<u>9,378,256</u>	<u>29,140,710</u>
<u>\$12,000,144</u>	<u>\$3,125,075</u>	<u>\$12,509,987</u>	<u>\$51,080,112</u>

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SCIOTO COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2016

Total Governmental Fund Balances \$29,140,710

*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	1,773,594
Construction in progress	3,557,179
Depreciable capital assets	147,852,743
Accumulated depreciation	(60,335,134)

Total capital assets 92,848,382

The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 133,444

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	1,216,674
Delinquent property taxes	1,751,573
Accounts	21,932
Intergovernmental	4,755,903

Total 7,746,082

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current year financial resources and, therefore, are not reported in the funds. 164,840

In the Statement of Activities, interest is accrued on long-term debt, whereas in governmental funds, an interest expenditure is reported when due. (19,084)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	10,179,459
Deferred Inflows - Pension	(595,597)
Net Pension Liability	(27,485,643)

Total (17,901,781)

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	(6,620,000)
Premium on Debt Issued	(3,516)
Capital leases payable	(405,812)
Compensated absences	(1,825,101)
Accrued compensatory time payable	(64,574)
Workers' compensation claims payable	(158,809)

Total liabilities (9,077,812)

Net Position of Governmental Activities \$103,034,781

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, 2016

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Revenues:</u>			
Property Taxes	\$1,879,426	\$0	\$0
Other Local Taxes	467,847	0	0
Sales Tax	12,640,552	0	0
Revenue in Lieu of Taxes	0	0	0
Charges for Services	2,759,634	234,806	86,361
Licenses and Permits	4,506	0	0
Fines and Forfeitures	240,126	0	5,944
Intergovernmental	2,357,689	7,878,958	4,515,384
Interest	103,245	0	4,388
Rent	3,237	0	0
Contributions and Donations	0	0	0
Miscellaneous	188,340	395,445	32,752
<i>Total Revenues</i>	<u>20,644,602</u>	<u>8,509,209</u>	<u>4,644,829</u>
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	8,244,415	0	0
Judicial	2,400,109	0	0
Public Safety:			
Sheriff	4,193,689	0	0
Other	692,261	0	0
Public Works	0	0	3,970,158
Health	355,774	0	0
Human Services	447,836	8,163,619	0
Conservation and Recreation	271,042	0	0
Economic Development and Assistance	301,934	0	0
Transportation	0	0	0
Capital Outlay	115,894	0	1,117,879
Debt Service:			
Principal Retirement	120,796	55,325	0
Interest and Fiscal Charges	6,101	1,981	0
<i>Total Expenditures</i>	<u>17,149,851</u>	<u>8,220,925</u>	<u>5,088,037</u>
Excess of Revenues Over (Under) Expenditures	<u>3,494,751</u>	<u>288,284</u>	<u>(443,208)</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	6,823	0	0
Transfers In	0	212,930	0
Transfers Out	(2,099,807)	(169,809)	(263,020)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,092,984)</u>	<u>43,121</u>	<u>(263,020)</u>
<i>Net Change in Fund Balances</i>	1,401,767	331,405	(706,228)
<i>Fund Balances at Beginning of Year</i>	10,362,387	1,360,119	2,492,361
<i>Fund Balances at End of Year</i>	<u>\$11,764,154</u>	<u>\$1,691,524</u>	<u>\$1,786,133</u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$5,639,619	\$803,670	\$104,413	\$8,427,128
0	0	0	467,847
0	0	0	12,640,552
0	196	0	196
339,677	89,524	3,540,327	7,050,329
0	0	128,978	133,484
0	0	276,471	522,541
6,430,642	2,695,173	8,235,854	32,113,700
327	0	231	108,191
0	0	0	3,237
25,953	15,679	24,031	65,663
194,397	571	305,867	1,117,372
12,630,615	3,604,813	12,616,172	62,650,240
0	0	956,977	9,201,392
0	728	670,135	3,070,972
0	0	2,341,175	6,534,864
0	0	1,942,029	2,634,290
0	0	1,446	3,971,604
11,194,867	0	313,837	11,864,478
0	3,420,363	1,233,691	13,265,509
0	0	426,725	697,767
0	0	569,062	870,996
0	0	807,556	807,556
0	0	4,366,332	5,600,105
116,743	52,135	915,452	1,260,451
23,240	5,171	245,729	282,222
11,334,850	3,478,397	14,790,146	60,062,206
1,295,765	126,416	(2,173,974)	2,588,034
9,487	0	0	16,310
23,000	0	2,397,978	2,633,908
0	0	(86,272)	(2,618,908)
32,487	0	2,311,706	31,310
1,328,252	126,416	137,732	2,619,344
1,667,575	1,398,400	9,240,524	26,521,366
\$2,995,827	\$1,524,816	\$9,378,256	\$29,140,710

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, 2016

Net Change in Fund Balances - Total Governmental Funds		\$2,619,344
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	5,159,985	
Construction in progress additions	3,583,921	
Depreciation expense	(3,880,576)	
Excess of capital outlay over depreciation expense		4,863,330
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.		
Loss on disposal of capital assets		(33,004)
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	124,735	
Sales tax	110,728	
Intergovernmental	314,228	
Total revenues		549,691
The decrease in the County's investment interest of its joint venture is not reported in the governmental fund statements but is included in program expenses in the Statement of Activities.		
		(37,497)
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.		
		(16,310)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows or a reduction in the net pension liability.		
		2,416,581
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.		
		(3,671,749)
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:		
Bond principal payments	665,000	
OPWC principal payments	247,872	
Capital lease payments	347,579	
Total long-term debt repayments		1,260,451
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences payable	41,800	
Decrease in accrued compensatory time payable	2,532	
Decrease in workers' compensation claims payable	19,120	
Total		63,452
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	1,383	
Amortization of Deferred Charge on Refunding	(13,365)	
Amortization of premium on general obligation bonds	285	
Total		(11,697)
Change in Net Position of Governmental Activities		\$8,002,592

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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,730,000	\$1,730,000	\$1,868,858	\$138,858
Other Local Taxes	379,000	379,000	467,991	88,991
Sales Tax	10,800,000	10,800,000	12,525,864	1,725,864
Revenue in Lieu of Taxes	150	0	0	0
Charges for Services	1,943,700	1,943,700	2,014,093	70,393
Licenses and Permits	4,000	4,000	4,506	506
Fines and Forfeitures	158,000	158,000	239,738	81,738
Intergovernmental	1,974,000	1,974,150	2,353,848	379,698
Interest	15,000	15,000	71,974	56,974
Rent	2,000	2,000	2,170	170
Miscellaneous	19,500	19,500	137,706	118,206
Total Revenues	17,025,350	17,025,350	19,686,748	2,661,398
<u>Expenditures:</u>				
Current:				
General Government:				
Legislative and Executive	7,697,248	8,556,791	8,390,922	165,869
Judicial	2,081,175	2,136,149	2,062,378	73,771
Public Safety:				
Sheriff	4,370,910	4,372,642	4,371,552	1,090
Other	619,092	734,673	716,676	17,997
Health	356,763	357,797	356,030	1,767
Human Services	469,151	469,150	467,550	1,600
Conservation and Recreation	222,880	241,830	238,977	2,853
Economic Development and Assistance	102,243	124,743	113,500	11,243
Capital Outlay	0	115,894	115,894	0
Total Expenditures	15,919,462	17,109,669	16,833,479	276,190
Excess of Revenues Over (Under) Expenditures	1,105,888	(84,319)	2,853,269	2,937,588
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	418,500	418,500
Advances Out	0	0	(858,951)	(858,951)
Transfers In	0	0	9,169	9,169
Transfers Out	(1,573,193)	(2,275,570)	(2,270,128)	5,442
Total Other Financing Sources (Uses)	(1,573,193)	(2,275,570)	(2,701,410)	(425,840)
Net Change in Fund Balance	(467,305)	(2,359,889)	151,859	2,511,748
Fund Balance at Beginning of Year	5,947,126	5,947,126	5,947,126	0
Prior Year Encumbrances Appropriated	488,406	488,406	488,406	0
Fund Balance at End of Year	\$5,968,227	\$4,075,643	\$6,587,391	\$2,511,748

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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Charges for Services	\$245,272	\$245,272	\$203,036	(\$42,236)
Intergovernmental	9,495,993	8,265,717	7,989,407	(276,310)
Miscellaneous	64,828	64,828	395,445	330,617
<i>Total Revenues</i>	9,806,093	8,575,817	8,587,888	12,071
<u>Expenditures:</u>				
Current:				
Human Services	10,426,076	9,847,456	8,526,518	1,320,938
Excess of Revenues Over (Under) Expenditures	(619,983)	(1,271,639)	61,370	1,333,009
<u>Other Financing Sources (Uses):</u>				
Transfers In	225,000	225,000	212,930	(12,070)
Transfers Out	0	(169,809)	(169,809)	0
<i>Total Other Financing Sources (Uses)</i>	225,000	55,191	43,121	(12,070)
<i>Net Change in Fund Balance</i>	(394,983)	(1,216,448)	104,491	1,320,939
<i>Fund Balance at Beginning of Year</i>	821,465	821,465	821,465	0
<i>Prior Year Encumbrances Appropriated</i>	394,983	394,983	394,983	0
<i>Fund Balance at End of Year</i>	<u>\$821,465</u>	<u>\$0</u>	<u>\$1,320,939</u>	<u>\$1,320,939</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, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Charges for Services	\$52,000	\$52,600	\$86,361	\$33,761
Fines and Forfeitures	10,000	10,000	5,944	(4,056)
Intergovernmental	4,370,967	4,370,967	4,462,136	91,169
Interest	837	837	4,154	3,317
Rent	600	0	0	0
Miscellaneous	0	0	32,752	32,752
<i>Total Revenues</i>	4,434,404	4,434,404	4,591,347	156,943
<u>Expenditures:</u>				
Current:				
Public Works	5,843,957	5,865,088	5,348,188	516,900
Excess of Revenues Under Expenditures	(1,409,553)	(1,430,684)	(756,841)	673,843
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	169,600	169,600
Transfers Out	0	(263,020)	(263,020)	0
<i>Total Other Financing Sources (Uses)</i>	0	(263,020)	(93,420)	169,600
<i>Net Change in Fund Balance</i>	(1,409,553)	(1,693,704)	(850,261)	843,443
<i>Fund Balance at Beginning of Year</i>	1,284,151	1,284,151	1,284,151	0
<i>Prior Year Encumbrances Appropriated</i>	409,553	409,553	409,553	0
<i>Fund Balance at End of Year</i>	\$284,151	\$0	\$843,443	\$843,443

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$5,273,868	\$5,773,868	\$5,710,245	(\$63,623)
Charges for Services	293,700	293,700	318,432	24,732
Intergovernmental	4,591,100	4,847,100	5,751,477	904,377
Contributions and Donations	16,000	16,000	14,400	(1,600)
Miscellaneous	295,000	295,000	187,426	(107,574)
<i>Total Revenues</i>	10,469,668	11,225,668	11,981,980	756,312
<u>Expenditures:</u>				
Current:				
Health	10,643,694	11,183,694	10,616,647	567,047
Excess of Revenues Over (Under) Expenditures	(174,026)	41,974	1,365,333	1,323,359
<u>Other Financing Uses:</u>				
Transfers Out	0	(900,000)	(900,000)	0
<i>Net Change in Fund Balance</i>	(174,026)	(858,026)	465,333	1,323,359
<i>Fund Balance at Beginning of Year</i>	795,445	795,445	795,445	0
<i>Prior Year Encumbrances Appropriated</i>	62,850	62,850	62,850	0
<i>Fund Balance at End of Year</i>	<u>\$684,269</u>	<u>\$269</u>	<u>\$1,323,628</u>	<u>\$1,323,359</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$840,000	\$840,000	\$796,582	(\$43,418)
Revenue in Lieu of Taxes	180	180	196	16
Charges for Services	49,000	49,553	841	(48,712)
Intergovernmental	1,551,000	1,551,000	2,749,426	1,198,426
Contributions and Donations	14,400	14,400	15,779	1,379
Miscellaneous	553	0	571	571
<i>Total Revenues</i>	2,455,133	2,455,133	3,563,395	1,108,262
<u>Expenditures:</u>				
Current:				
Human Services	3,228,579	3,628,579	3,559,688	68,891
<i>Net Change in Fund Balance</i>	(773,446)	(1,173,446)	3,707	1,177,153
<i>Fund Balance at Beginning of Year</i>	1,121,053	1,121,053	1,121,053	0
<i>Prior Year Encumbrances Appropriated</i>	75,487	75,487	75,487	0
<i>Fund Balance at End of Year</i>	<u>\$423,094</u>	<u>\$23,094</u>	<u>\$1,200,247</u>	<u>\$1,177,153</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Position
Enterprise Fund
December 31, 2016

	<u>Sewer Fund</u>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,259,539
Cash and Cash Equivalents in Segregated Accounts	268,474
Materials and Supplies Inventory	10,172
Accounts Receivable	2,376,122
Prepaid Items	37,224
Loans Receivable	97,868
Due from Other Governments	199,254
	<hr/>
<i>Total Current Assets</i>	<u>6,248,653</u>
<u>Non Current Assets:</u>	
Capital Assets:	
Nondepreciable Capital Assets	555,561
Depreciable Capital Assets, Net	50,036,830
	<hr/>
<i>Total Non Current Assets</i>	<u>50,592,391</u>
<i>Total Assets</i>	<u>56,841,044</u>
<u>Deferred Outflows of Resources</u>	
Deferred Charge on Refunding	11,312
Pension	360,856
	<hr/>
<i>Total Deferred Outflows of Resources</i>	<u>372,168</u>
<u>Current Liabilities:</u>	
Accounts Payable	81,941
Contracts Payable	37,800
Retainage Payable	3,287
Accrued Wages Payable	15,065
Due to Other Governments	119,555
Accrued Interest Payable	395,756
General Obligation Bonds Payable	257,784
Farmer's Home Administration Bonds Payable	79,624
Ohio Public Works Commission Loans Payable	53,254
Ohio Water Development Authority Loans Payable	102,410
United States Department of Agriculture Loan Payable	264,060
Compensatory Time Payable	17,877
Compensated Absences Payable	45,549
	<hr/>
<i>Total Current Liabilities</i>	<u>1,473,962</u>
<u>Long-Term Liabilities (Net of Current Portion):</u>	
General Obligation Bonds Payable	1,866,129
Farmer's Home Administration Bonds Payable	2,399,013
Ohio Public Works Commission Loans Payable	1,048,222
Ohio Water Development Authority Loans Payable	1,536,155
United States Department of Agriculture Loan Payable	15,716,590
Compensated Absences Payable	38,506
Net Pension Liability	931,596
	<hr/>
<i>Total Long-Term Liabilities</i>	<u>23,536,211</u>
<i>Total Liabilities</i>	<u>25,010,173</u>
<u>Deferred Inflows of Resources:</u>	
Pension	77,361
	<hr/>
<u>Net Position:</u>	
Net Investment in Capital Assets	27,347,120
Unrestricted	4,778,558
	<hr/>
<i>Total Net Position</i>	<u>\$32,125,678</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, 2016

	<u>Sewer Fund</u>
<u>Operating Revenues:</u>	
Charges for Services	\$4,090,742
<u>Operating Expenses:</u>	
Personal Services	823,723
Fringe Benefits	495,858
Contractual Services	1,106,906
Materials and Supplies	291,299
Depreciation	989,506
Other	6,683
<i>Total Operating Expenses</i>	<u>3,713,975</u>
Operating Income	<u>376,767</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest and Fiscal Charges	(859,389)
Other Non-Operating Revenues	28,742
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(830,647)</u>
Loss Before Transfers Out and Capital Grants	(453,880)
Transfers Out	(15,000)
Capital Grants	<u>199,254</u>
<i>Change in Net Position</i>	(269,626)
<i>Net Position at Beginning of Year</i>	<u>32,395,304</u>
<i>Net Position at End of Year</i>	<u><u>\$32,125,678</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, 2016

	<i>Sewer Fund</i>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$3,967,721
Cash Payments to Suppliers for Goods and Services	(1,323,971)
Cash Payments to Employees for Services	(827,169)
Cash Payments for Employee Benefits	(504,756)
Cash Payments for Other Operating Expenses	(6,683)
	1,305,142
 <u>Net Cash Provided by Operating Activities</u>	
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Aquisition of Capital Assets	(464,642)
Principal Paid on Bonds and Loans	(740,729)
Interest Paid on Bonds and Loans	(551,481)
Other Non-Operating Revenues	28,742
	(1,728,110)
 <u>Net Cash Used for Capital and Related Financing Activities</u>	
 <u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers Out	(15,000)
	(15,000)
 <u>Net Decrease in Cash and Cash Equivalents</u>	
	(437,968)
 <u>Cash and Cash Equivalents at Beginning of Year</u>	
	3,965,981
 <u>Cash and Cash Equivalents at End of Year</u>	
	\$3,528,013
 <u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities:</u>	
Operating Income	\$376,767
 <u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Depreciation	989,506
Changes in Assets and Liabilities:	
Decrease in Materials and Supplies Inventory	591
Increase in Accounts Receivable	(123,021)
Increase in Prepaid Items	(12,001)
Decrease in Deferred Outflows of Resources - Pension	63,849
Increase in Accounts Payable	12,447
Increase in Accrued Wages and Benefits	3,297
Increase in Due to Other Governments	54,799
Increase in Compensatory Time Payable	1,090
Decrease in Compensated Absences Payable	(2,935)
Decrease in Net Pension Liability	(21,126)
Decrease in Deferred Inflows of Resources - Pension	(38,121)
	928,375
Total Adjustments	928,375
 <u>Net Cash Provided by Operating Activities</u>	
	\$1,305,142

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2016

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,211,536
Cash and Cash Equivalents in Segregated Accounts	696,313
Receivables:	
Property Taxes	50,388,438
Accounts	450,033
Revenue in Lieu of Taxes	160,200
Due from Other Governments	2,640,584
 <i>Total Assets</i>	 \$58,547,104
 <u>Liabilities:</u>	
Due to Other Governments	\$53,654,255
Undistributed Monies	4,892,849
 <i>Total Liabilities</i>	 \$58,547,104

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

Scioto County, Ohio (the County), is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate/Juvenile and Domestic Relations Court Judge, and a Municipal 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 three 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., the Scioto County Airport Authority, and the Scioto County Land Reutilization Corporation. 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, 2016

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.

Scioto County Land Reutilization Corporation

The Scioto County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Scioto County on March 24, 2016 and incorporated on March 29, 2016 under Chapter 1724 of the Ohio Revised Code. The Corporation's governing body is a five member Board of Directors, consisting of the County Treasurer, two County Commissioners, one representative of the City of Portsmouth, and one member representing a township located in Scioto County, selected by the County Treasurer and the two members of the Board of County Commissioners who serve on the Board.

The Corporation was established with the main purpose being to reclaim, rehabilitate, and reutilize vacant, abandoned, tax foreclosed and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. Based on two Commissioners serving on the Corporation's Board along with having the ability to appoint other members, the Corporation is presented as a component unit of Scioto County. The Corporation operates on a calendar year ending December 31. Separately issued financial statements can be obtained from Brian Davis, Board Chair or William Ogg, Treasurer, at 602 Seventh Street, Portsmouth, Ohio 45662.

The information presented in Notes 2 through 26 relates to the primary government. Information related to the discretely presented component units is presented in Note 27 and 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 18, 19, and 20 to the basic financial statements. These organizations are:

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services Board
Ohio Valley Resource Conservation and Development Area, Inc.
Workforce Development 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the County's major governmental funds:

General Fund – 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 Fund – 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 Fund – 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 Fund – 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 Fund– 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 nonmajor 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 deferred outflows of resources and liabilities and deferred inflows 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 and deferred outflows of resources and liabilities and deferred inflows 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 6.) 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, interest, 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 and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

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, pension, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12) The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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, a United States Money Market account, and Negotiable Certificates of Deposit.

During 2016, the County invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2016 amounted to \$103,245, of which \$65,925 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, 2016, 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". 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 acquisition values on the date received. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

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<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.

The entire compensated absences liability is reported on the government-wide financial statements.

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

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and net pension liability 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, capital leases, and the Ohio Bureau of Workers' Compensation Retrospective Rating Program claims 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, and unclaimed monies.

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. State statute authorizes the County Auditor to assign fund balance for purchases on order provided amounts have been lawfully appropriated.

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 PREMIUM

On the government-wide financial statements and in the enterprise funds, bond premiums are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond premiums are presented as additions to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

DEFERRED CHARGE ON REFUNDING

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflow of resources on the Statement of Net Position.

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, and delinquent tax collections.

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 18). 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 PRINCIPLE

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application, GASB Statement No. 77, "Tax Abatement Disclosures" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the County's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 established accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized costs. The Statement provides accounting and financial reporting guidance also established additional note disclosure requirements for governments that participate in those pools. The County participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The County incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than 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. Investments are recorded at fair value (GAAP basis) rather than cost (budgetary basis).
6. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
7. 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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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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			Board of	
	General	Public Assistance	Motor Vehicle Gas Tax	Developmental Disabilities	Children Services
GAAP Basis	\$1,401,767	\$331,405	(\$706,228)	\$1,328,252	\$126,416
Increases (Decreases) Due to:					
Revenue Accruals	602,343	94,552	(34,442)	400,836	12,032
Expenditure Accruals	(124,640)	(66,025)	925,039	(357,079)	(39,829)
Encumbrances	(389,030)	(239,568)	(1,185,190)	(129,254)	(41,462)
Unrecorded Cash - 2015	(360,246)	(9,279)	704	(251,129)	(23,181)
Unrecorded Cash - 2016	(375,410)	(6,594)	(938)	(180,513)	(30,269)
Increase in Fair Value of Investments - 2015	(24,693)	0	0	0	0
Increase in Fair Value of Investments - 2016	1,050	0	0	0	0
Transfers	(161,152)	0	0	(923,000)	0
Advances	(440,451)	0	169,600	0	0
Perspective Differences	22,321	0	(18,806)	577,220	0
Budget Basis	<u>\$151,859</u>	<u>\$104,491</u>	<u>(\$850,261)</u>	<u>\$465,333</u>	<u>\$3,707</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
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;

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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

Investments are reported at fair value. As of December 31, 2016, the County had the following investments:

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Notes to the Basic Financial Statements
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Measurement/Investment	Measurement Amount	Investment Maturity (in Years)		Moody's Rating	Percentage of Total Investments
		Less Than 1	1-5		
Net Asset Value Per Share:					
STAROhio	\$70,268	\$70,268	\$0	N/A	N/A
Fair Value - Level One Input					
US Money Market	17,070	17,070	0	N/A	N/A
Fair Value - Level Two Input					
Negotiable Certificates of Deposit	4,998,950	529,566	4,469,384	N/A	98.28%
Total	\$5,086,288	\$616,904	\$4,469,384		

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2016. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The County's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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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. 2016 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2016, was \$10.93 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Residential/Agricultural	\$762,705,000
Commercial/Industrial/Public Utility	147,343,900
Public Utility Real	16,407,640
Public Utility Personal	105,310,780
Total Assessed Value	\$1,031,767,320

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, 2016, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 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 7 – TAX ABATEMENTS

For 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures.” This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. As of December 31, 2016, the County provides tax abatements through one program: Enterprise Zone Tax Exemptions.

Enterprise Zone Tax Exemptions

Pursuant to Ohio Revised Code Chapter 5709, the County established an Enterprise Zone to provide property tax abatements to encourage the establishing of, expanding, renovating, or occupying facilities and to promote either the hiring of new employees or preserving existing employment. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient’s tax bill. The County also contracts with the overlapping school district for payments in lieu of taxes when required by Ohio Revised Code.

SCIOTO COUNTY, OHIO
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For the Year Ended December 31, 2016

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2016.

Tax Abatement Program	Amount of 2016 Taxes Abated
<i>Enterprise Zone Tax Exemptions</i>	
- Manufacturing	\$14,294

County property taxes were also reduced as follows under agreements entered into by overlapping governments:

Overlapping Government	Amount of 2016 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Village of New Boston	\$11,644

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 2016.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), interest, 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, 2016, was \$129,973, of which \$15,707 is considered to be due within one year.

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

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For the Year Ended December 31, 2016

	Amount
<u>Governmental Activities Intergovernmental Receivables</u>	
Board of DD Contract Services / Reimbursements	\$353,508
Board of DD State Foundation	656,365
Board of DD Subsidies	773,963
Bridges to Transition Grant	24,496
Bureau of Worker's Compensation	669
Casino Revenues	443,907
Community Development Block Grant	172,000
Community Housing Improvement Grant	6,104
Human Services Grants / Reimbursements	271,167
Cents Per Gallon	387,971
Child Support Poundage	15,324
Child Support Grants / Reimbursements	322,635
Children Services Grants / Reimbursements	289,538
Community Correction Grants	79,237
Emergency Management Performance Grant	41,443
Felony Delinquent Care and Custody Grant	199,654
Gas Tax	758,114
High Intensity Drug Trafficking Areas Program	2,753
Highway Safety Program Grants	7,256
Homestead / Rollback	498,170
Indigent Defense	54,069
Juvenile Drug Court Grants	81,404
Jobs and Commerce Economic Development Program	83,504
Law Library Fines and Costs	5,385
Local Government	266,358
MVL Tax	1,171,631
Ohio Department of Transportation - Bridge Replacement Grant	32,937
Ohio Department of Transportation - West Portsmouth Improvement Project	93,177
Ohio Public Works Commission - Highway Improvement Grant	645,596
Prisoner Housing	42,229
Probation Improvement Incentive Grant	56,346
Rural Transit Program Grant	152,469
Roadwork Development Grant	330,000
Sheriff Rotary Patrols	110,445
Special Education Grant	68,447
Title XX Grant	73,092
State Victims Assistance and Victims of Crime Act Grants	79,726
Total Governmental Activities	8,651,089
 <u>Business-Type Activities Intergovernmental Receivables</u>	
Ohio Public Works Commission Grant - West Portsmouth Force Main	31,549
Ohio Department of Transportation Reimbursement	167,705
Total Business-Type Activities	199,254
Total Intergovernmental Receivables	\$8,850,343

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,773,594	\$0	\$0	\$1,773,594
Construction in Progress	67,682	3,583,921	(94,424)	3,557,179
Total Capital Assets, Not Being Depreciated	1,841,276	3,583,921	(94,424)	5,330,773
Depreciable Capital Assets:				
Land Improvements	\$3,312,269	\$0	\$0	\$3,312,269
Buildings and Building Improvements	48,569,471	393,444	(67,050)	48,895,865
Furniture, Fixtures, and Equipment	7,372,728	987,828	(412,415)	7,948,141
Vehicles	4,452,598	542,045	(309,647)	4,684,996
Infrastructure	79,728,627	3,331,092	(48,247)	83,011,472
Total Depreciable Capital Assets	143,435,693	5,254,409	(837,359)	147,852,743
Less Accumulated Depreciation:				
Land Improvements	(572,561)	(163,002)	0	(735,563)
Buildings and Building Improvements	(17,555,319)	(938,916)	62,670	(18,431,565)
Furniture, Fixtures, and Equipment	(5,175,099)	(370,284)	399,218	(5,146,165)
Vehicles	(3,194,460)	(298,711)	299,382	(3,193,789)
Infrastructure	(30,761,474)	(2,109,663)	43,085	(32,828,052)
Total Accumulated Depreciation	(57,258,913)	(3,880,576) *	804,355	(60,335,134)
Depreciable Capital Assets, Net	86,176,780	1,373,833	(33,004)	87,517,609
Governmental Activities Capital Assets, Net	\$88,018,056	\$4,957,754	(\$127,428)	\$92,848,382

*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$125,596
Judicial	94,998
Public Safety:	
Sheriff	463,239
Other	206,898
Public Works	2,383,051
Health	196,909
Human Services	81,965
Conservation and Recreation	249,970
Transportation	77,950
Total Depreciation Expense	<u>\$3,880,576</u>

The County's capital assets reported above for Governmental Activities include \$21,524,450 in fully depreciated capital assets.

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For the Year Ended December 31, 2016

Capital assets activity of the business-type activities for the year ended December 31, 2016, was as follows:

	Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$485,974	\$0	\$0	\$485,974
Construction in Progress	0	69,587	0	69,587
Total Capital Assets, Not Being Depreciated	<u>485,974</u>	<u>69,587</u>	<u>0</u>	<u>555,561</u>
Depreciable Capital Assets:				
Land Improvements	\$23,893	\$0	\$0	\$23,893
Buildings and Building Improvements	7,263,082	0	0	7,263,082
Furniture, Fixtures, and Equipment	1,103,747	45,089	0	1,148,836
Vehicles	300,497	30,982	(15,323)	316,156
Infrastructure	51,462,716	0	0	51,462,716
Total Depreciable Capital Assets	<u>60,153,935</u>	<u>76,071</u>	<u>(15,323)</u>	<u>60,214,683</u>
Less Accumulated Depreciation:				
Land Improvements	(2,027)	(1,195)	0	(3,222)
Buildings and Building Improvements	(3,395,850)	(145,594)	0	(3,541,444)
Furniture, Fixtures, and Equipment	(720,663)	(37,690)	0	(758,353)
Vehicles	(237,413)	(14,891)	15,323	(236,981)
Infrastructure	(4,847,717)	(790,136)	0	(5,637,853)
Total Accumulated Depreciation	<u>(9,203,670)</u>	<u>(989,506)</u>	<u>15,323</u>	<u>(10,177,853)</u>
Depreciable Capital Assets, Net	<u>50,950,265</u>	<u>(913,435)</u>	<u>0</u>	<u>50,036,830</u>
Business-Type Activities				
Capital Assets, Net	<u>\$51,436,239</u>	<u>(\$843,848)</u>	<u>\$0</u>	<u>\$50,592,391</u>

The County's capital assets reported above for Business-Type Activities include \$846,067 in fully depreciated capital assets.

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 19) for liability, property, auto, and crime insurance. The County also carries public officials liability insurance through various insurance agencies. Settlements have not exceeded coverage in any of the last three years. There has not been a significant change in coverage from the prior year.

The County participated in the Ohio Bureau of Workers' Compensation (the "Bureau") Individual Retrospective Rating Program until December 31, 2014. Under the individual 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 the years in which the County participated in the program. The County began participating in the Group Retrospective Rating Program beginning January 1, 2015.

SCIOTO COUNTY, OHIO
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For the Year Ended December 31, 2016

The County provides health, dental and vision insurance for its employees through the County Employee Benefits Consortium of Ohio (CEBCO). This is a fully funded insurance program and is not considered limited risk health insurance.

The amounts reported in the government-wide financial statements at December 31, 2016, 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
2015	\$186,445	\$45,379	\$53,895	\$177,929
2016	177,929	34,319	53,439	158,809

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County’s obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Ohio Public Employees Retirement System

Plan Description - County employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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<p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p> <p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 52 with 15 years of service credit</p> <p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25</p>	<p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p> <p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit</p> <p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25</p>	<p>Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit</p> <p style="text-align: center;">Law Enforcement</p> <p>Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit</p> <p style="text-align: center;">Public Safety and Law Enforcement</p> <p>Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25</p>
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Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
2016 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>13.0 %</u>

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contribution was \$2,465,706 for 2016. Of this amount, \$256,025 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – County licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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. For members who select the Combined Plan, 11.5% of the 13% member contribution rate in fiscal 2016 and 11% of the 12% member contribution rate in fiscal 2015 was deposited into the member's defined contribution account and the remaining amount applied to the DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

SCIOTO COUNTY, OHIO
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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent of covered payroll. The statutory employer rate for fiscal year 2017 and subsequent years is 14 percent. The statutory member contribution rate increased to 14 percent on July 1, 2016. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$37,900 for 2016. Of this amount \$1,387 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the net pension liability for STRS was measured as of June 30, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15238630%	0.00604072%	0.15842702%
Prior Measurement Date	<u>0.15310760%</u>	<u>0.00591745%</u>	<u>0.15902505%</u>
Change in Proportionate Share	<u>-0.00072130%</u>	<u>0.00012327%</u>	<u>-0.00059803%</u>
Proportionate Share of the Net Pension Liability	\$26,395,228	\$2,022,011	\$28,417,239
Pension Expense	\$3,687,347	\$76,030	\$3,763,377

At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$81,699	\$81,699
Net difference between projected and actual earnings on pension plan investments	7,758,548	167,881	7,926,429
Changes in proportion and differences between County contributions and proportionate share of contributions	1,963	26,618	28,581
County contributions subsequent to the measurement date	<u>2,465,706</u>	<u>37,900</u>	<u>2,503,606</u>
Total Deferred Outflows of Resources	<u>\$10,226,217</u>	<u>\$314,098</u>	<u>\$10,540,315</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$510,007	\$0	\$510,007
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>59,361</u>	<u>103,590</u>	<u>162,951</u>
Total Deferred Inflows of Resources	<u>\$569,368</u>	<u>\$103,590</u>	<u>\$672,958</u>

\$2,503,606 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2017	\$1,670,385	\$11,640	\$1,682,025
2018	1,794,444	11,640	1,806,084
2019	1,970,553	76,061	2,046,614
2020	<u>1,755,761</u>	<u>73,267</u>	<u>1,829,028</u>
Total	<u>\$7,191,143</u>	<u>\$172,608</u>	<u>\$7,363,751</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA:	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$42,054,047	\$26,395,228	\$13,187,510

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 100.00 %	 7.61 %

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.5 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual assets classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$2,687,088	\$2,022,011	\$1,460,979

NOTE 13 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

In March 2016, OPERS received two favorable rulings from the Internal Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#cafr> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary 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. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated health care for members in the Traditional Pension Plan and Combined Plan was 2% during the calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

Substantially all of the County's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$486,371, \$446,255, and \$422,744, respectively. For 2016, 89.4 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer Health Care Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015 and 2016, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The County's contributions for health care for the years ended December 31, 2016, 2015 and 2014 were \$0, \$0, and \$3,281, respectively. The full amount has been contributed for 2016, 2015 and 2014.

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 the County Employee Benefits Consortium of Ohio (CEBCO) 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.

Health, dental, and vision insurance for employees of the Sanitary Engineer was provided by the Michigan Conference of Teamsters Welfare Fund. Life insurance was provided by Anthem Life.

NOTE 15 - LEASES – LESSEE DISCLOSURE

During 2016 and in prior years, the County entered into capitalized leases for energy-saving renovations to certain buildings 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 expired in

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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.

General capital assets consisting of buildings and improvements, vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$3,027,785. 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, along with the early cancelation of a lease in 2016 totaled \$347,579 in the governmental funds.

The assets acquired through capital leases as of December 31, 2016, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$2,850,818	\$691,743	\$2,159,075
Furniture, Fixtures, and Equipment	176,967	114,398	62,569
Total	\$3,027,785	\$806,141	\$2,221,644

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, 2016:

Year Ending December 31,	Amount
2017	\$217,614
2018	67,733
2019	35,164
2020	26,498
2021	21,600
2022-2026	108,000
2027-2028	39,600
Total	516,209
Less: Amount Representing Interest	(110,397)
Present Value of Net Minimum Lease Payments	\$405,812

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 2016 were \$10,764, which were paid from the General Fund, Drug Enforcement Prosecutor Special Revenue Fund, Dretac Prosecutor Special Revenue Fund, and Public Assistance Special Revenue Fund.

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

Year Ending December 31,	Amount
2017	\$10,747
2018	10,747
2019	4,357
Total	\$25,851

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 Eden Park Extension loan is not presented in 2016 because the schedule is not available.

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 consists of a 9 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.

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 and Minford Sewer System projects. 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 the Minford Sewer System project loan are presented in 2016 because the schedule is now available.

Compensated absences will be paid from the Sewer Enterprise Fund. The County pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability see note 12.

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

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	Principal Outstanding at 12/31/2015	Additions	Deletions	Principal Outstanding at 12/31/2016	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	\$633,729	\$0	\$17,457	\$616,272	\$18,242
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	425,000	0	210,000	215,000	215,000
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,026,620	0	19,010	1,007,610	19,870
Rigrish Sewer Bonds 2006 4.50% - \$322,000	289,502	0	4,471	285,031	4,672
Total Enterprise General Obligation Bonds	2,374,851	0	250,938	2,123,913	257,784
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	561,900	0	20,000	541,900	20,900
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	459,490	0	14,650	444,840	15,310
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	613,724	0	18,167	595,557	18,984
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	649,890	0	15,590	634,300	16,290
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	269,810	0	7,770	262,040	8,140
Total FHA Bonds	2,554,814	0	76,177	2,478,637	79,624
<i><u>OPWC Loans</u></i>					
2002 OPWC Wheelersburg Pump Station Renovations 0% - \$162,352	56,818	0	8,118	48,700	8,118
2004 OPWC Sanitary Sewer System Renovations 0% - \$162,100	72,934	0	8,106	64,828	8,106
2006 OPWC Wheelersburg and West Portmsouth Pump Station 0% - \$235,543	135,430	0	11,778	123,652	11,778
2006 OPWC Sciotoville Area Sanitary Sewer Extensions 0% - \$9,482	5,453	0	474	4,979	474
2008 OPWC Pump Station Renovations 0% - \$201,860	136,256	0	10,093	126,163	10,093
2009 OPWC Sanitary Sewer Improvements 0% - \$165,000	119,625	0	8,250	111,375	8,250
2012 OPWC Sanitary Sewer Improvements UV Project 0% - \$181,000	125,492	0	6,435	119,057	6,435
2014 OPWC Sanitary Sewer Eden Park Extension 0% - \$247,872	502,722	0	0	502,722	0
Total OPWC Loans	1,154,730	0	53,254	1,101,476	53,254
<i><u>OWDA and USDA Loans</u></i>					
Wastewater Treatment and Collection System for South Webster 2003 0%	1,740,975	0	102,410	1,638,565	102,410
Eden Park Extension USDA Loan 4.5%	1,326,600	0	21,500	1,305,100	22,000
Minford Sewer System Project USDA Loan 4.5%	14,912,000	0	236,450	14,675,550	242,060
Total OWDA and USDA Loans	17,979,575	0	360,360	17,619,215	366,470
<i><u>Other Long-Term Obligations</u></i>					
Compensated Absences	86,990	15,944	18,879	84,055	45,549
Net Pension Liability - OPERS	750,188	181,408	0	931,596	0
Total Other Long-Term Obligations	837,178	197,352	18,879	1,015,651	45,549
Total Business-Type Activities	\$24,901,148	\$197,352	\$759,608	\$24,338,892	\$802,681

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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	USDA Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest	Principal	Interest
	2017	\$257,784	\$96,114	\$79,624	\$114,903	\$53,254	\$102,410	\$264,060	\$384,418	\$757,132
2018	44,715	83,976	83,368	111,195	53,254	102,410	270,420	378,107	\$554,167	\$573,278
2019	46,713	81,964	87,361	107,312	53,254	102,410	276,900	371,642	\$566,638	\$560,918
2020	48,829	79,895	91,374	103,243	53,254	102,411	283,520	365,021	\$579,388	\$548,159
2021	51,016	77,664	95,629	98,986	53,254	102,411	290,300	358,238	\$592,610	\$534,888
2022-2026	291,677	351,776	549,144	423,815	217,559	512,051	1,559,040	1,683,572	\$3,129,471	\$2,459,163
2027-2031	363,483	279,967	689,585	283,312	92,399	512,051	1,755,070	1,487,587	\$3,412,588	\$2,050,866
2032-2036	452,970	190,499	679,312	114,156	22,526	102,411	1,976,230	1,266,480	\$3,233,449	\$1,571,135
2037-2041	367,788	91,747	123,240	11,254	0	0	2,225,590	1,017,042	\$2,716,618	\$1,120,043
2042-2046	198,938	18,984	0	0	0	0	2,507,110	735,468	\$2,706,048	\$754,452
2047-2051	0	0	0	0	0	0	2,825,220	417,479	\$2,825,220	\$417,479
2052-2054	0	0	0	0	0	0	1,747,190	82,583	\$1,747,190	\$82,583
Totals	\$2,123,913	\$1,352,586	\$2,478,637	\$1,368,176	\$598,754	\$1,638,565	\$15,980,650	\$8,547,637	\$22,820,519	\$11,268,399

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 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 2014 Various Purpose Refunding Bonds were issued April 16, 2014, for the purpose of advance refunding \$4,545,000 of the 2004 County Jail General Obligation Bonds. The bonds are serial bonds and were issued with an interest rate of 2.00 – 4.00 percent for a fifteen year period. The bonds will mature on December 1, 2029, and will be retired from the Debt Service Fund.

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. The liability for the bridge replacement fund is recorded in the fund and government-wide financial statements. The loans were / will be repaid from the Diehlman Road Bridge Replacement, Mackeltree Road Bridge Replacement, and Millers Run-Fallen Timber Road Bridge Replacement Capital Project Funds.

Capital Leases and Compensated Absences

Capital leases will be paid from the General Fund and the Children Services, 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
Emergency Management Assistance Special Revenue Fund
Engineer Special Revenue Fund
Public Assistance Special Revenue Fund
Indigent Guardianship Special Revenue Fund
Board of Developmental Disabilities Special Revenue Fund
T.B. Levy Special Revenue Fund
Sheriff's Policing Rotary Special Revenue Fund
Multi-County Mediation 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:

General Fund

Probation Supervision Special Revenue Fund
Board of Developmental Disabilities Special Revenue Fund
Coordinated Transportation Special Revenue Fund

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds:

General Fund

Real Estate Assessment Special Revenue Fund
Children Services Special Revenue Fund
Common Pleas Court Computer Special Revenue Fund
Dog and Kennel Special Revenue Fund
Emergency Management Assistance Special Revenue Fund
Engineer Special Revenue Fund
Child Support Enforcement Agency Special Revenue Fund
Public Assistance Special Revenue Fund
Indigent Guardianship Special Revenue Fund
Board of Developmental Disabilities Special Revenue Fund

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

Sheriff Rotary Special Revenue Fund
DRETAC Treasurer Special Revenue Fund
Mediation Special Revenue Fund
Wireless 911 Special Revenue Fund
Law Library Special Revenue Fund
Coordinated Transportation Special Revenue Fund
Recycling and Litter Prevention Special Revenue Fund
Victims of Crime Special Revenue Fund
Common Pleas Special Revenue Fund
Probation Improvement Special Revenue Fund
Wheelersburg Sewer District Enterprise Fund

For additional information related to the net pension liability see Note 12.

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

	Principal Outstanding at 12/31/2015	Additions	Deletions	Principal Outstanding at 12/31/2016	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Economic Development Facilities Refunding					
Revenue Bonds 2013 0.55 - 5.05% - \$1,815,000	\$1,550,000	\$0	\$135,000	\$1,415,000	\$135,000
Various Purpose Refunding Bonds					
2014 2.00 - 4.00% - \$4,880,000	4,315,000	0	260,000	4,055,000	265,000
Premium on Various Purpose Bonds	3,801	0	285	3,516	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	1,420,000	0	270,000	1,150,000	210,000
Total General Obligation Bonds	7,288,801	0	665,285	6,623,516	610,000
<u>Net Pension Liability</u>					
OPERS	17,716,300	7,747,332	0	25,463,632	0
STRS	1,635,410	386,601	0	2,022,011	0
Total Net Pension Liability	19,351,710	8,133,933	0	27,485,643	0
<u>Other Long-Term Obligations</u>					
2015 OPWC Hwy Imp Loan 0% - \$247,872	247,872	0	247,872	0	0
Capital Leases	737,081	16,310	347,579	405,812	194,951
Compensated Absences	1,866,901	1,077,188	1,118,988	1,825,101	1,004,465
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	177,929	34,319	53,439	158,809	158,809
Total Other Long-Term Obligations	3,029,783	1,127,817	1,767,878	2,389,722	1,358,225
Total Governmental Activities	\$29,670,294	\$9,261,750	\$2,433,163	\$36,498,881	\$1,968,225

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

	General Obligation Bonds	
	Principal	Interest
2017	\$610,000	\$229,006
2018	630,000	212,606
2019	650,000	194,839
2020	675,000	174,810
2021	485,000	151,747
2022-2026	2,485,000	481,641
2027-2029	1,085,000	84,688
Totals	\$6,620,000	\$1,529,337

The County's total legal debt margin was \$23,720,357 with an unvoted debt margin of \$9,743,847 at December 31, 2016.

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, 2016, is \$16,200,000.

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, 2016, is \$780,000.

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, 2016, is \$120,000.

During 2016, the County issued Hospital Facilities Revenue Bonds, Series 2016, in the aggregate principal amount of \$122,215,000 for the Southern Ohio Medical Center (SOMC). The proceeds were used by SOMC to refund the prior Hospital Facilities Refunding Bonds issued in 2008. The entire balance is outstanding as of December 31, 2016.

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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For the Year Ended December 31, 2016

NOTE 17 - INTERFUND ACTIVITY

Interfund balances at December 31, 2016, consist of the following individual fund receivables and payables:

		Receivables				Total
		General	Public Assistance	Children Services	Nonmajor Governmental Funds	
Payables	General	\$0	\$15,874	\$0	\$0	\$15,874
	Public Assistance	0	0	93,868	0	93,868
	Nonmajor Governmental Funds	475,159	43,646	0	19,755	538,560
	Total	\$475,159	\$59,520	\$93,868	\$19,755	\$648,302

The General Fund advanced money for services rendered to the Haverhill-Ohio Furnace Capital Projects Fund. 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. Transfers made during the year ended December 31, 2016 were as follows:

		Transfers To			Total
		Public Assistance	Board of Developmental Disabilities	Nonmajor Governmental Funds	
Transfers From	General	\$212,930	\$23,000	\$1,863,877	\$2,099,807
	Public Assistance	0	0	169,809	169,809
	Motor Vehicle Gas Tax	0	0	263,020	263,020
	Nonmajor Governmental Funds	0	0	86,272	86,272
	Sewer	0	0	15,000	15,000
	Total	\$212,930	\$23,000	\$2,397,978	\$2,633,908

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies were transferred from the General Fund, the Public Assistance Fund, the Motor Vehicle Gas Tax Fund, and from nonmajor special revenue funds to nonmajor debt service funds to make debt service payments.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

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

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

The three-county ADAMHS Board is governed by a board consisting of 14 members. The breakdown is as follows: six members are appointed by the Ohio Director of Mental Health and Addiction Services and eight are appointed by Commissioners of Scioto, Lawrence and Adams Counties. The main sources of revenue for this Board are grants from the Ohio Department of Mental Health and Addiction Services. 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 50 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 Board of County Commissioners appoint members proportionate to the County's population of the whole district with at least one member being appointed from each County. The ADAMHS Board received a contribution from the County of \$2,000 during 2016.

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 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 2016; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

WORKFORCE DEVELOPMENT BOARD - JOINTLY GOVERNED ORGANIZATION

The Workforce Investment Act of 1998 (WIA) was reauthorized as the Workforce Innovation and Opportunity Act of 2014 (WIOA). On December 17, 2015 the Board of County Commissioners approved an intergovernmental agreement for Adams, Brown, Pike and Scioto County which established the terms, conditions, and requirements governing the administration of the Workforce Innovation and Opportunity Act of 2014 and Chief Elected Officials duties and created the SO Consortium for the purpose of implementing, governing, and administering any and all workforce and economic development programming. The Workforce Development 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 and consists of 22 members. The Board consists if a 51% business membership and the remaining membership from labor, education and training, disabilities, veterans, youth organizations, and Wagner-Peyser. The Workforce Development Board meets at least quarterly

and is responsible for the five-year plan, selecting one-stop operators, selecting youth providers and coordinating all activities in association with WIOA 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 Opportunity Act received no contributions from the County during 2016.

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 \$13,906 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 2016, the County made payments to the CAO in the amount of \$555,123 for the provision of services to the Scioto County Department of Jobs and Family Services.

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 organization 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 2016, 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 2016.

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 \$218,181 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 \$133,444 as of December 31, 2016. Complete financial statements can be obtained from the Scioto County Auditor's Office at 602 7th Street, Room 103, Portsmouth, OH 45662.

NOTE 19 - RISK SHARING POOL

COUNTY RISK SHARING AUTHORITY, INC. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among 60 counties in Ohio. CORSAs was formed as an Ohio non-profit corporation for the purpose of establishing the CORSAs 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 CORSAs. 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 CORSAs 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 CORSAs is limited to its voting authority and any representative it may have on the board of trustees.

CORSAs 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 CORSAs. The participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSAs. The County's payment for insurance to CORSAs in 2016 was \$325,142. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

NOTE 20 – RELATED ORGANIZATION

SOUTHERN OHIO PORT AUTHORITY

The Southern Ohio Port Authority (the Authority) is statutorily created as a separate and distinct political subdivision of the State. The Authority is governed by a twenty-one 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. In 2016, the Authority received operating funds for economic development purposes totaling \$187,500 from the County.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
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NOTE 21 – SIGNIFICANT COMMITMENTS

Contractual Commitments

As of December 31, 2016, the County had the following contractual purchase commitments for various projects:

<u>Project/Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at December 31, 2016</u>
2016 Reappraisal - Tyler Technologies, Inc.	\$815,000	\$745,322	\$69,678
Sheriff 911 System - Frontier	505,721	381,304	124,417
West Portsmouth Improvement - Allard Excavation	2,078,516	1,788,775	289,741
Response System - Digital Data Technology	73,118	43,806	29,312
Juvenile/Probate Court Software - Court View Justice Solutions	62,669	39,661	23,008
Concession Stand at Splash Park - Randall C. Mullins, Architect	11,850	11,812	38
West Portsmouth Force Main - Danny Sullivan Excavation	107,797	41,087	66,710
Briarcliff WWTP Elimination - AJR Engineering	30,000	28,500	1,500
Total	<u>\$3,684,671</u>	<u>\$3,080,267</u>	<u>\$604,404</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:

Governmental Funds:	
General	\$396,927
Public Assistance	239,568
Motor Vehicle Gas Tax	1,185,190
Board of Developmental Disabilities	142,704
Children Services	41,462
Nonmajor Governmental Funds	<u>536,511</u>
Total Governmental Funds	2,542,362
Proprietary Funds:	
Sanitary Sewer	<u>226,382</u>
Total	<u>\$2,768,744</u>

NOTE 22 - CONTINGENT LIABILITIES

LITIGATION

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

FEDERAL AND STATE GRANTS

For the period January 1, 2016, to December 31, 2016, 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.

As of August 28, 2014 the Economic Adjustment Assistance award has been terminated. The County is gathering information to provide the EDA so they can determine the federal share of the program that will need to be repaid to EDA as a result of the termination. Upon determination of the amount, the County will have three years to make payment. On August 3, 2017 the County was notified that EDA will be issuing a demand letter to the County for EDA's federal share determined to be the remaining balance of the three loans plus the approximate amount of \$93,000 in the EDA cash account. The estimated amount at December 31, 2016 is \$149,314.

NOTE 23 - RELATED PARTY TRANSACTIONS

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of STAR, Inc. In 2016, these contributions were \$230,169.

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 2016, these contributions were \$36,263.

The Scioto County Land Reutilization Corporation, a discretely presented component unit of Scioto County, received one-time contributions from the Scioto County Treasurer's Delinquent Real Estate Tax Assessment Collection (DRETAC) fund and the Scioto County Commissioners' through the County's general fund for start-up costs. These contributions are reflected as operating revenues in the financial statements of the Corporation. During 2016, total contributions to the Corporation equaled \$20,000. The Corporation's future revenues will come from other sources.

NOTE 24 - 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:

SCIOTO COUNTY, OHIO
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Fund Balances	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>							
Prepays	\$237,774	\$176,110	\$26,135	\$190,099	\$43,697	\$65,185	\$739,000
Materials and Supplies Inventory	60,217	18,039	307,112	6,145	500	2,937	394,950
Unclaimed Monies	155,752	0	0	0	0	0	155,752
<i>Total Nonspendable</i>	453,743	194,149	333,247	196,244	44,197	68,122	1,289,702
<i>Restricted for</i>							
Human Service Programs	0	1,497,375	0	0	1,480,619	2,803,932	5,781,926
Public Works	0	0	1,452,886	0	0	0	1,452,886
Health Programs	0	0	0	2,799,583	0	181,264	2,980,847
Judicial Programs	0	0	0	0	0	827,797	827,797
Public Safety Programs	0	0	0	0	0	2,705,315	2,705,315
Economic Development and Assistance	0	0	0	0	0	530,085	530,085
Transportation	0	0	0	0	0	196,821	196,821
Capital Improvements	0	0	0	0	0	280,420	280,420
Debt Service	0	0	0	0	0	48,290	48,290
Other Purposes	0	0	0	0	0	1,786,790	1,786,790
<i>Total Restricted</i>	0	1,497,375	1,452,886	2,799,583	1,480,619	9,360,714	16,591,177
<i>Committed to</i>							
Judicial Programs	0	0	0	0	0	290,484	290,484
<i>Assigned to</i>							
Debt Service	0	0	0	0	0	22,884	22,884
Unpaid Obligations	236,342	0	0	0	0	0	236,342
Public Safety Programs	141,835	0	0	0	0	0	141,835
Other Purposes	11,487	0	0	0	0	0	11,487
<i>Total Assigned</i>	389,664	0	0	0	0	22,884	412,548
<i>Unassigned (Deficit)</i>	10,920,747	0	0	0	0	(363,948)	10,556,799
<i>Total Fund Balances</i>	\$11,764,154	\$1,691,524	\$1,786,133	\$2,995,827	\$1,524,816	\$9,378,256	\$29,140,710

NOTE 25 – SUBSEQUENT EVENTS

In June 2017, the County approved conduit debt regarding the issuance of \$11,000,000 of Healthcare Facilities Revenue Refunding and Improvement Bonds, Series 2017.

NOTE 26 – ACCOUNTABILITY

The following fund had a deficit fund balance as of December 31, 2016:

Capital Project Funds:

Haverhill-Ohio Furnace Project \$363,948

This deficit resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 27 - DISCRETELY PRESENTED COMPONENT UNITS

STAR, INC.

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

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

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

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

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

Capital Assets - A summary of STAR, Inc.’s capital assets at December 31, 2016, follows:

Machinery and Equipment	\$67,477
Vehicles	177,498
Less: Accumulated Depreciation	<u>(31,288)</u>
Total Capital Assets (Net)	<u><u>\$213,687</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.

Long-Term Obligations - In 2015, STAR, Inc. issued a loan in the amount of \$16,506 at the rate of 0% interest for the purpose of purchasing two lawn mowers.

The following is a summary of STAR Inc.’s, future annual debt service requirements for long-term debt:

	<u>Kubota Loan</u>
	<u>Principal</u>
2017	\$4,126
2018	4,126
2019	<u>689</u>
Totals	<u><u>\$8,941</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, 2016, follows:

Land	\$365,737
Land Improvements	1,552,340
Buildings	1,818,857
Machinery and Equipment	167,709
Vehicles	142,950
Less: Accumulated Depreciation	<u>(1,680,842)</u>
Total Capital Assets (Net)	<u>\$2,366,751</u>

SCIOTO COUNTY LAND REUTILIZATION CORPORATION

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

Summary of Significant Accounting Policies - 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 - The Corporation is not bound by the budgetary laws prescribed by the Ohio Revised Code for purely governmental entities. However, the Board of Directors of the Corporation adopted an annual budget for the fiscal year.

Deposits - At December 31, 2016, the carrying amount of the Corporation’s deposits was \$13,359. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of December 31, 2016, all deposits were protected by Federal Deposit Insurance Corporation (FDIC) coverage.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
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NOTE 28 - CONDENSED COMPONENT UNIT STATEMENTS

CONDENSED COMPONENT UNIT STATEMENT OF NET POSITION

	STAR, Inc.	Scioto County Airport Authority	Scioto County Land Reutilization	Total
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$729,812	\$79,911	\$13,359	\$823,082
Materials and Supplies Inventory	7,983	0	0	7,983
Accounts Receivable	158,871	0	0	158,871
Due from Other Governments	0	252,447	0	252,447
Capital Assets:				
Land and Construction in Progress	0	365,737	0	365,737
Depreciable Capital Assets, Net	213,687	2,001,014	0	2,214,701
Total Assets	1,110,353	2,699,109	13,359	3,822,821
<u>Liabilities:</u>				
Accounts Payable	123,513	3,462	6	126,981
Contracts Payable	0	227,927	0	227,927
Accrued Wages Payable	41,717	0	0	41,717
Retainage Payable	0	68,544	0	68,544
Long Term Liabilities:				
Due Within One Year	4,126	0	0	4,126
Due in More Than One Year:				
Other Amounts	4,815	0	0	4,815
Total Liabilities	174,171	299,933	6	474,110
<u>Net Position:</u>				
Net Investment in Capital Assets	213,687	2,340,958	0	2,554,645
Unrestricted	722,495	58,218	13,353	794,066
Total Net Position	\$936,182	\$2,399,176	\$13,353	\$3,348,711

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

CONDENSED COMPONENT UNIT STATEMENT OF ACTIVITIES

	<u>STAR, Inc.</u>	<u>Scioto County Airport Authority</u>	<u>Scioto County Land Reutilization Corporation</u>	<u>Total</u>
Expenses:	<u>\$1,675,337</u>	<u>\$611,691</u>	<u>\$6,647</u>	<u>\$2,293,675</u>
Program Revenues:				
Charges for Services and Sales	1,797,278	110,850	0	1,908,128
Operating Grants and Contributions	230,169	30,000	20,000	280,169
Capital Grants and Contributions	<u>0</u>	<u>632,108</u>	<u>0</u>	<u>632,108</u>
Total Program Revenues	2,027,447	772,958	20,000	2,820,405
Interest	<u>1,550</u>	<u>0</u>	<u>0</u>	<u>1,550</u>
Total Revenues	<u>2,028,997</u>	<u>772,958</u>	<u>20,000</u>	<u>2,821,955</u>
Change in Net Position	353,660	161,267	13,353	528,280
<i>Net Position at Beginning of Year</i>	<u>582,522</u>	<u>2,237,909</u>	<u>0</u>	<u>2,820,431</u>
<i>Net Position at End of Year</i>	<u>\$936,182</u>	<u>\$2,399,176</u>	<u>\$13,353</u>	<u>\$3,348,711</u>

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Scioto County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years (1)

	2016	2015	2014
County's Proportion of the Net Pension Liability	0.15238630%	0.15310760%	0.15310760%
County's Proportionate Share of the Net Pension Liability	\$26,395,228	\$18,466,488	\$18,049,391
County's Covered Payroll	\$18,474,210	\$18,192,968	\$17,879,362
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	142.88%	101.50%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the County's measurement date which is the prior year end.

Scioto County, Ohio
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2016	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00604072%	0.00591745%	0.00652135%	0.00652135%
County's Proportionate Share of the Net Pension Liability	\$2,022,011	\$1,635,410	\$1,586,219	\$1,889,493
County's Covered Payroll	\$635,600	\$612,014	\$681,888	\$688,554
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.13%	267.22%	232.62%	274.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

Amounts presented for each fiscal year were determined as of June 30th.

Scioto County, Ohio
Required Supplementary Information
Schedule of County Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	\$2,465,706	\$2,288,853	\$2,256,548	\$2,401,615
Contributions in Relation to the Contractually Required Contribution	(2,465,706)	(2,288,853)	(2,256,548)	(2,401,615)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
County Covered Payroll	\$19,884,376	\$18,474,210	\$18,192,968	\$17,879,362
Contributions as a Percentage of Covered Payroll	12.40%	12.39%	12.40%	13.43%

(1) Information prior to 2013 is not available.

Scioto County, Ohio
Required Supplementary Information
Schedule of County Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$88,984	\$85,682	\$91,873	\$89,512	\$90,794	\$86,727	\$89,074	\$80,971	\$80,557	\$80,145
Contributions in Relation to the Contractually Required Contribution	(88,984)	(85,682)	(91,873)	(89,512)	(90,794)	(86,727)	(89,074)	(80,971)	(80,557)	(80,145)
Contribution Deficiency (Excess)	<u>\$0</u>									
County Covered Payroll	\$635,600	\$612,014	\$681,888	\$688,554	\$698,415	\$667,131	\$685,185	\$622,854	\$619,669	\$616,500
Contributions as a Percentage of Covered Payroll:	14.00%	14.00%	13.47%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through Ohio Department of Job and Family Services</i>				
Supplemental Nutrition Assistance Program Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5576	N/A	\$464,576
<i>Direct from the U.S. Department of Agriculture</i>				
Water and Waste Program Cluster:				
ARRA-Water and Waste Disposal Systems for Rural Communities				
ARRA-Water and Waste Disposal Systems for Rural Communities - Loan	10.781	N/A	N/A	<u>645,157</u>
Total U.S. Department of Agriculture				1,109,733
U.S. DEPARTMENT OF COMMERCE				
<i>Direct from the Economic Development Administration</i>				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307	N/A	\$58,143	<u>141,848</u>
Total U.S. Department of Commerce				141,848
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program				
Community Development Program	14.228	B-F-14-1CP-1	N/A	132
Community Development Program		B-F-15-1CP-1	N/A	161,904
Community Housing Improvement Program		B-C-14-1CP-1	N/A	<u>67,376</u>
Total Community Development Block Grants/State's Program				229,412
Home Investment Partnerships Program	14.239	B-C-14-1CP-2	N/A	<u>226,676</u>
Total U.S. Department of Housing and Urban Development				456,088
U.S. DEPARTMENT OF THE INTERIOR				
<i>Direct from the Federal Government</i>				
Payments in Lieu of Taxes				
	15.226	N/A	N/A	10,376
<i>Passed through Ohio Department of Natural Resources</i>				
Secure Rural Schools and Community Self-Determination				
	15.234	N/A	N/A	16,055
Flood Control Act Lands	15.433	N/A	N/A	<u>1,722</u>
Total U.S. Department of the Interior				28,153
U.S. DEPARTMENT OF JUSTICE				
<i>Direct from the Bureau of Justice Assistance</i>				
Bulletproof Vest Partnership Program				
	16.607	N/A	N/A	5,009
<i>Direct from the United States Marshals Service</i>				
Equitable Sharing Program				
	16.922	N/A	N/A	111,261
<i>Passed through Ohio Department of Youth Services</i>				
Juvenile Accountability Block Grants				
	16.523	2012-JB-015-B073S	N/A	4,162
		2013-JB-015-B073	N/A	<u>25,000</u>
Total Juvenile Accountability Block Grants				29,162
<i>Passed through Ohio Attorney General Crime Victims Section</i>				
Crime Victim Assistance				
	16.575	2015-VOCA-19815498	N/A	16,381
		2017-VOCA-43559550	N/A	<u>263</u>
Total Crime Victim Assistance				16,644

(Continued)

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (Continued)				
Total U.S. Department of Justice				162,076
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Direct from the United States Federal Aviation Administration</i>				
Airport Improvement Program	20.106	3-39-0069-018-2015 3-39-0069-020-2016	N/A N/A	208,898 <u>214,332</u>
Total Airport Improvement Program				423,230
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PID99765 PID98962 PID100490 PID95352 PID93983 PID99397	N/A N/A N/A N/A N/A N/A	201,992 172,534 193,744 1,324,038 1,239,974 <u>3,986</u> 3,136,268
Total Highway Planning and Construction				3,136,268
Formula Grants for Rural Areas	20.509	RPTF-4119-036-161 RPTM-0119-036-161 RPTF-0119-036-161	N/A N/A N/A	370,593 35,924 <u>105,784</u> 512,301
Total Formula Grants for Rural Areas				512,301
Total Passed Through Ohio Department of Transportation				3,648,569
<i>Passed Through Ohio Department of Public Safety - Office of Criminal Justice Services</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	STEP-2016-73-00-00-00537-00 STEP-2017-73-00-00-00551-00	N/A N/A	11,777 <u>2,052</u> 13,829
Total State and Community Highway Safety				13,829
National Priority Safety Programs	20.616	IDEP-2016-73-00-00-00376-00 IDEP-2017-73-00-00-00415-00	N/A N/A	12,322 <u>5,203</u> 17,525
Total National Priority Safety Programs				17,525
Total Highway Safety Cluster				<u>31,354</u>
Total U.S. Department of Transportation				4,103,153
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education- Grants to States	84.027	078063-6BSF-2016	N/A	66,884
Special Education- Preschool Grants	84.173	078063-PGS1-2016	N/A	<u>11,454</u>
Total Special Education Cluster				78,338
<i>Passed through Ohio Department of Health</i>				
Special Education - Grants for Infants and Families	84.181	73-1-001-1-IHO-516	N/A	<u>5,975</u>
Total United States Department of Education				84,313

(Continued)

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1617-11-5577	N/A	40,172
Child Support Enforcement	93.563	G-1617-11-5576	N/A	761,683
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5577	N/A	9,198
Foster Care Title IV-E	93.658	G-1617-11-5577	N/A	1,058,312
Adoption Assistance	93.659	G-1617-11-5577	N/A	95,742
Chafee Foster Care Independence Program	93.674	G-1617-11-5577	N/A	29,942
Social Services Block Grant	93.667	G-1617-11-5576	715,408	1,037,606
TANF Cluster: Temporary Assistance for Needy Families (TANF)	93.558	G-1617-11-5576	449,493	2,815,328
CCDF Cluster: Child Care and Development Block Grant	93.575	G-1617-11-5576	N/A	134,467
Medicaid Cluster: Medical Assistance Program	93.778	G-1617-11-5576	N/A	<u>1,535,874</u>
Total Passed through the Ohio Department of Job and Family Services				7,518,324
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	N/A	N/A	66,223
Medicaid Cluster: Medical Assistance Program - Medicaid Administrative Claiming (MAC)	93.778	N/A	N/A	<u>255,491</u>
Total Passed through the Ohio Department of Developmental Disabilities				321,714
<i>Passed through Supreme Court of Ohio</i>				
State Court Improvement Program	93.586	15010HSCID	N/A	29,000
<i>Passed through the Ohio Department of Health</i>				
Total Universal Newborn Hearing Screening	93.251	73-1-001-1-IHO-516	N/A	5,088
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	73-1-001-1-IHO-516	N/A	3,480
Maternal and Child Health Service Block Grant to the States	93.994	73-1-001-1-IHO-516	N/A	<u>7,350</u>
Total Passed through the Ohio Department of Health				<u>15,918</u>
Total U.S. Department of Health and Human Services				7,884,956
U.S. EXECUTIVE OFFICE OF THE PRESIDENT				
<i>Passed through the City of Shaker Heights, Ohio</i>				
High Intensity Drug Trafficking Areas Program	95.001	G14OH0001A	N/A	2,877
		G15OH0001A	N/A	15,897
		G16OH0001A	N/A	5,615
Total High Intensity Drug Trafficking Areas Program				<u>24,389</u>
Total U.S. Executive Office of the President				24,389
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Emergency Management Agency</i>				
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01	N/A	34,890
		EMC-2016-EP-00003-S01	N/A	<u>9,241</u>
Total Emergency Management Performance Grants				44,131
Total U.S. Department of Homeland Security				<u>44,131</u>
Total Expenditures of Federal Awards				<u><u>\$14,038,840</u></u>

The accompanying notes are an integral part of this schedule.

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SCIOTO COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Scioto County (the County) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from various Federal or pass-through agencies to other governments or not-for-profit agencies (subrecipients). As Note B describes, the County reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

The amount passed through to subrecipients for Federal CFDA Number 93.667 includes \$604,716 provided by the Scioto County Department of Job and Family Services to the Scioto County Children Services Board. This amount was provided to the Scioto County Children Services Board in 2016 and was also expended by the Board in 2016. This amount is reported on the Schedule once in the total Federal expenditures amount.

Federal expenditures for Federal CFDA Number 93.667 also include \$93,868 for amounts expended by the Scioto County Children Services Board in 2016 for which the Board was reimbursed by the Scioto County Department of Job and Family Services subgrant in 2017. The amount is not included in the Passed through to Subrecipients column for 2016 as it was not expended by the Scioto County Department of Job and Family Services until 2017.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS WITH REVOLVING LOAN CASH BALANCE

The County has an Economic Development Community Development Block Grant (CDBG) Program Income Account. The current cash balance of Scioto County's local program income account as of December 31, 2016 is \$17,482.

In addition, the County has an Ohio Small Cities Community Development Block Grant (CDBG) Housing Program Income Account. The current cash balance of Scioto County's local program income account as of December 31, 2016 is \$6,759.

NOTE E – ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) REVOLVING LOAN PROGRAM

The County had a revolving loan fund (RLF) program to provide low-interest loans to businesses for the purpose of enhancing the County's ability to compete economically by stimulating private investment. The federal Department of Commerce Office of Economic Development Administration (EDA) granted money for these loans to the County. The County used loan repayments and interest received to make additional loans. Subsequent loans were subject to the same compliance requirements imposed by EDA as the initial loans. These loans are collateralized by mortgages on the properties.

Activity in the EDA revolving loan fund during 2016 is as follows:

Beginning loans receivable balance as of January 1, 2016	\$70,390
Loans made	0
Loans written off	0
Loan principal repaid	(9,187)
Ending loans receivable balance as of December 31, 2016	61,203
Cash balance on hand in the revolving loan fund as of December 31, 2016	88,111
Administrative costs expended during 2016	0
Subtotal	149,314
Total original EDA funding amount	4,790,000
Total original funding amount	5,040,000
Federal Participation Rate	95%
Federal Awards Expended	<u>\$ 141,848</u>

As of August 28, 2014 this award has been terminated. The County is gathering information to provide to EDA so they can determine the federal share of the program that will need to be repaid to EDA as a result of the termination. Upon determination of the amount, the County will have three years to make payment. On August 3, 2017 the County was notified that EDA will be issuing a demand letter to the County for EDA's federal share determined to be the remaining balance of the three loans plus the approximate amount of \$93,000 in the EDA cash account. The estimated amount at December 31, 2016 is \$149,314.

NOTE F – UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) LOANS OUTSTANDING – EDEN PARK SEWER PROJECT

The County was previously awarded a grant and a loan through the Water and Waste Disposal Systems for Rural Communities program, CFDA #10.760. Both grant and loan proceeds were previously reported on the Schedule when expended. The project was completed in 2014, and all funds from both the grant and loan proceeds had been expended as of December 31, 2014. USDA loan proceeds extended over the life of the project totaled \$1,388,000. The balance of USDA loans outstanding relating to the Eden Park Project totaled \$1,305,100 as of December 31, 2016.

NOTE G – UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) LOANS OUTSTANDING – MINFORD SEWER PROJECT

The County was previously awarded a grant and a loan through the ARRA-Water and Waste Disposal Systems for Rural Communities program, CFDA #10.781. Both grant and loan proceeds have been reported on the Schedule when expended. The remaining grant and loan proceeds were drawn down in 2015 with \$70,704 remaining to be expended as of December 31, 2016. USDA loan proceeds drawn down over the life of the project total \$14,912,000. Repayment of the loan began in 2016, and the balance of USDA loans outstanding relating to the Minford Sewer Project totaled \$14,675,550 as of December 31, 2016.

NOTE H - MATCHING REQUIREMENTS

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

NOTE I – MEDICAID COST REPORT SETTLEMENT

During the calendar year, the County Board of Developmental Disabilities received notice of a liability for the 2011 Cost Report owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA # 93.778) in the amount of \$1,625. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in a prior reporting period and the liability was invoices by the Ohio Department of Developmental Disabilities.

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Dave Yost • Auditor of State

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

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 26, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Scioto County's, Ohio (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Scioto County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the Scioto County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2017

SCIOTO COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CFDA #10.561 Highway Planning and Construction – CFDA #20.205 TANF Cluster: Temporary Assistance for Needy Families (TANF) – CFDA #93.558 Child Support Enforcement – CFDA #93.563 Social Services Block Grant – CFDA #93.667
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

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 28, 2017