



Dave Yost • Auditor of State

SCIOTO COUNTY
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund	25
Public Assistance Special Revenue Fund	26
Motor Vehicle Gas Tax Special Revenue Fund.....	27
Board of Developmental Disabilities Special Revenue Fund	28
Children Services Special Revenue Fund	29
Statement of Fund Net Position	
Enterprise Fund	30
Statement of Revenues, Expenditures and Changes in Fund Net Position Enterprise Fund	31
Statement of Cash Flows	
Enterprise Fund	32
Statement of Fiduciary Assets and Liabilities	
Agency Funds	33
Notes to the Basic Financial Statements.....	35

SCIOTO COUNTY
TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information:	
Schedule of the County's Proportionate Share of the Net Pension Liability – Ohio Public Employees Retirement System - Traditional Plan – Last Four Years	93
Schedule of the County's Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio - Last Five Fiscal Years.....	94
Schedule of County Contributions – Ohio Public Employees Retirement System - Traditional Plan – Last Five Years	95
Schedule of County Contributions – State Teachers Retirement System Of Ohio – Last Ten Years	96
Notes to Required Supplementary Information	98
Schedule of Expenditures of Federal Awards	99
Notes to the Schedule of Expenditures of Federal Awards.....	103
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	107
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.....	109
Schedule of Findings.....	111



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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2017, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities and Children Services Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the County restated January 1, 2017 Governmental Activity Net Position to reflect a correction of an error in capital asset values. We did not modify our opinion regarding this matter.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, 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.

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2018

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SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 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, 2017.

FINANCIAL HIGHLIGHTS

The County's total net position increased \$7,073,062 during 2017. Net position of governmental activities increased \$6,992,981. Net position of the business-type activity increased \$80,081.

General revenues of governmental activities accounted for \$31,575,842. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$33,746,649.

The Sewer Enterprise Fund reflected operating income of \$627,422.

The County had \$58,344,510 in expenses related to governmental activities: \$33,746,649 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 \$31,575,842 were adequate to provide for these programs. The County had \$4,203,893 in expenses related to its business-type activity; \$4,266,304 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.

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.

SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 UNAUDITED

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 2017 compared to 2016.

SCIOTO COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	Restated 2016	2017	2016	2017	Restated 2016
Assets						
Current and						
Other Assets	\$59,366,140	\$50,431,810	\$6,579,729	\$6,248,653	\$65,945,869	\$56,680,463
Investment in						
Joint Venture	129,578	133,444	0	0	129,578	133,444
Capital Assets,						
Net of Depreciation	81,096,739	81,198,932	49,768,603	50,592,391	130,865,342	131,791,323
Total Assets	<u>140,592,457</u>	<u>131,764,186</u>	<u>56,348,332</u>	<u>56,841,044</u>	<u>196,940,789</u>	<u>188,605,230</u>
Deferred Outflows of Resources						
Deferred Charge on						
Refunding	151,475	164,840	0	11,312	151,475	176,152
Pension	13,265,138	10,179,459	507,227	360,856	13,772,365	10,540,315
Total Deferred Outflows	<u>13,416,613</u>	<u>10,344,299</u>	<u>507,227</u>	<u>372,168</u>	<u>13,923,840</u>	<u>10,716,467</u>
Liabilities						
Current and Other						
Liabilities	3,061,501	4,743,597	671,909	671,281	3,733,410	5,414,878
Long-Term Liabilities:						
Due Within						
One Year	1,833,908	1,968,225	629,895	802,681	2,463,803	2,770,906
Due in More Than One Year						
Net Pension Liability	34,657,876	27,485,643	1,272,001	931,596	35,929,877	28,417,239
Other Amounts	6,558,287	7,045,013	22,036,453	22,604,615	28,594,740	29,649,628
Total Liabilities	<u>46,111,572</u>	<u>41,242,478</u>	<u>24,610,258</u>	<u>25,010,173</u>	<u>70,721,830</u>	<u>66,252,651</u>
Deferred Inflows of Resources						
Property Taxes	8,912,903	8,865,279	0	0	8,912,903	8,865,279
Revenue in Lieu of Taxes	19,800	19,800	0	0	19,800	19,800
Pension	586,483	595,597	39,542	77,361	626,025	672,958
Total Deferred Inflows	<u>9,519,186</u>	<u>9,480,676</u>	<u>39,542</u>	<u>77,361</u>	<u>9,558,728</u>	<u>9,558,037</u>
Net Position						
Net Invested in						
Capital Assets	75,876,294	73,195,757	27,450,548	27,347,120	103,326,842	100,542,877
Restricted for:						
Debt Service	34,348	29,206	0	0	34,348	29,206
Capital Projects	165,830	1,562,812	0	0	165,830	1,562,812
Other Purposes	24,624,608	22,510,047	0	0	24,624,608	22,510,047
Unrestricted	<u>(2,322,768)</u>	<u>(5,912,491)</u>	<u>4,755,211</u>	<u>4,778,558</u>	<u>2,432,443</u>	<u>(1,133,933)</u>
Total Net Position	<u>\$98,378,312</u>	<u>\$91,385,331</u>	<u>\$32,205,759</u>	<u>\$32,125,678</u>	<u>\$130,584,071</u>	<u>\$123,511,009</u>

SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 UNAUDITED

The net pension liability (NPL) is the largest single liability reported by the County at December 31, 2017 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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 UNAUDITED

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 \$8,828,271. The County's current and other assets increased \$8,934,330. The total increase was mainly due to an increase of \$6,167,402 in cash and cash equivalents mostly stemming from the County's General Fund and from the Board of Developmental Disabilities Fund. The General Fund increased primarily due to the change in Medicaid Sales Tax Revenue, in which the County received large subsidies from the State during 2017. The Board of Developmental Disabilities Fund increased mainly due to an increase in property taxes and a decrease in expenditures. Capital Assets, Net of Depreciation decreased \$102,193, due to current year deletions and depreciation. The deferred outflows increased \$3,072,314 as a result of the net pension liability calculation.

The net pension liability increase of \$7,172,233 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 \$6,992,981 from the prior year. Net invested in capital assets increased \$2,680,537 mostly due to the County completing long-term projects which were related to the purchasing/construction of capital assets. Unrestricted net position increased \$3,589,723, which is primarily due to the increase in cash and cash equivalents in the General Fund due to the Medicaid Sales Tax subsidies.

Net position of the County's business-type activities increased \$80,081. Total assets decreased \$492,712 mainly due to a decrease in capital assets, net of depreciation. This decrease is the result of current year depreciation exceeding current year additions. Total liabilities decreased \$399,915 mainly due to the County making annual debt payments, which includes the first year of the West Portsmouth Modification OPWC Project and OPWC Sanitary Sewer Eden Park Extension. Net invested in capital assets increased \$103,428, which is not significant. Unrestricted net position decreased \$23,347, which is not significant.

Table 2 shows the changes in net position for the years ended December 31, 2017, and 2016.

SCIOTO COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services and Sales	\$6,670,562	\$7,709,591	\$4,233,247	\$4,090,742	\$10,903,809	\$11,800,333
Operating Grants and Contributions	25,900,486	26,283,040	0	0	25,900,486	26,283,040
Capital Grants and Contributions	1,175,601	4,305,099	33,057	199,254	1,208,658	4,504,353
Total Program Revenues	33,746,649	38,297,730	4,266,304	4,289,996	38,012,953	42,587,726
General Revenues:						
Property Taxes	9,251,778	8,551,863	0	0	9,251,778	8,551,863
Other Local Taxes	558,672	467,847	0	0	558,672	467,847
Sales Tax	11,901,870	12,751,280	0	0	11,901,870	12,751,280
Revenue in Lieu of Taxes	255	196	0	0	255	196
Grants and Entitlements not Restricted to Specific Programs	8,798,547	1,905,452	0	0	8,798,547	1,905,452
Interest	74,611	108,191	0	0	74,611	108,191
Miscellaneous	990,109	1,117,372	32,670	28,742	1,022,779	1,146,114
Total General Revenues	31,575,842	24,902,201	32,670	28,742	31,608,512	24,930,943
Total Revenues	65,322,491	63,199,931	4,298,974	4,318,738	69,621,465	67,518,669
Program Expenses						
General Government:						
Legislative and Executive	10,342,977	9,426,204	0	0	10,342,977	9,426,204
Judicial	3,660,443	3,251,852	0	0	3,660,443	3,251,852
Public Safety:						
Sheriff	7,283,982	6,978,670	0	0	7,283,982	6,978,670
Other	2,733,152	2,860,638	0	0	2,733,152	2,860,638
Public Works	5,854,601	4,105,875	0	0	5,854,601	4,105,875
Health	11,307,932	12,124,953	0	0	11,307,932	12,124,953
Human Services	14,744,332	13,588,455	0	0	14,744,332	13,588,455
Conservation and Recreation	404,933	841,457	0	0	404,933	841,457
Economic Development and Assistance	725,203	874,098	0	0	725,203	874,098
Transportation	1,022,535	866,218	0	0	1,022,535	866,218
Interest and Fiscal Charges	264,420	293,919	0	0	264,420	293,919
Sewer	0	0	4,203,893	4,573,364	4,203,893	4,573,364
Total Expenses	58,344,510	55,212,339	4,203,893	4,573,364	62,548,403	59,785,703
Change in Net Position						
Before Transfers	6,977,981	7,987,592	95,081	(254,626)	7,073,062	7,732,966
Transfers	15,000	15,000	(15,000)	(15,000)	0	0
Change in Net Position	6,992,981	8,002,592	80,081	(269,626)	7,073,062	7,732,966
Net Position at Beginning of Year - Restated	91,385,331	83,382,739	32,125,678	32,395,304	123,511,009	115,778,043
Net Position at End of Year	\$98,378,312	\$91,385,331	\$32,205,759	\$32,125,678	\$130,584,071	\$123,511,009

Governmental Activities

The County's direct charges to users of governmental services are \$6,670,562 of total governmental revenues for 2017. 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 decreased \$1,039,029, which is mainly due to a decrease in bed contracts for prisoner housing from other counties and a reduction in policing contracts with villages and townships.

SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 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 decreased mostly due to a decrease in grant funding for the County Engineer and grant funded projects being completed.

Sales tax collected by the County comprised \$11,901,870 of total governmental revenues for 2017, which was a decrease of \$849,410 from 2016. This decrease is due to the change in Medicaid sales tax. Proceeds of the permissive sales tax are credited to the General Fund.

Grants and entitlements not restricted to specific programs increased \$6,893,095 due to the change in Medicaid funding. The County received over six million dollars in subsidies from the State.

Health programs (including the Board of Developmental Disabilities) made up \$11,307,932 of total expenses and decreased \$817,021 compared to 2016. This decrease is due to the change in funding for the Board of Developmental Disabilities. Human Services (including Public Assistance and Children Services) programs accounted for \$14,744,332 of total expenses for governmental activities. General Government expenses accounted for \$14,003,420 of total expenses for governmental activities, an increase of \$1,325,364. The increase was primarily due to an increase in legislative and executive from the County loaning \$175,000 to the Fair Board and an increase in attorney fees and health, dental, and vision insurance costs. 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 increased \$80,081 during 2017. The increase in 2017 is due to an increase in charges for services and sales relating to an increase in fees and a reduction in expenditures.

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 \$65,360,883 and expenditures of \$55,046,622.

The General Fund balance increased \$7,586,843 in 2017. This was due to both a change in the Medicaid Sales Tax allocation along with overall revenues exceeding non-capitalized expenditures due to the County closely monitoring spending.

The Public Assistance Fund balance decreased \$263,886, which was mostly due to an increase in accounts payable and interfund payable outstanding at the end of the year and.

The Motor Vehicle Gas Tax Fund balance increased \$1,198,100. This resulted from the County spending less due to a decrease in road and bridge project expenditures.

The Board of Developmental Disabilities Fund balance increased \$1,178,615 in 2017. Despite total revenues decreasing compared to 2016, the fund balance increased due to management closely monitoring expenditures.

SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 UNAUDITED

The Children Services Fund balance increased \$402,855, which is mainly due to an increase in monies received from other governments and property taxes with expenditures only increasing slightly.

The Sewer Fund reflects operating income of \$627,422 for 2017. Charges for services for sewer utilities have historically been established to ensure that, on a cash basis, fees are adequate to cover operations. The County Commissioners have set fees with the intention of funding operating costs and debt service. During 2017, there was an increase in fees.

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 2017, the County amended its General Fund budget as needed. There were no variances from original budget revenue amounts to the final budget revenue amounts. There were increases in actual revenue from final estimated revenue in most revenue accounts but the most significant was in sales tax revenue which was due to actual receipts being greater 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 2017 but did not actually occur until 2018 and other expenses that were budgeted but were deemed not to occur during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2017, the County had additions to construction in progress and depreciable assets of \$797,429 and \$6,489,579, 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 \$101,629 and \$186,009, 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 vehicle acquisitions, and infrastructure assets that occurred during the year. See Note 10 of the notes to the basic financial statements for more detailed capital assets information.

Debt

At December 31, 2017, Scioto County had \$6,425,347 in long-term debt outstanding in governmental activities. This included \$6,013,231 of general obligation bonds and premium and \$412,116 in capital leases.

SCIOTO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 UNAUDITED

The amount of long-term debt in the business-type activity was \$22,573,598 which consisted of \$1,866,129 in general obligation bonds, \$2,399,013 in Farmer's Home Administration (FHA) bonds, \$1,055,711 in Ohio Public Works Commission (OPWC) loans, and \$17,252,745 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

SUBSEQUENT EVENT

On July 1, 2018, STAR, Inc., a discretely presented component unit, became a private provider for Adult Services Programs. The Scioto County Board of DD entered into a contract with STAR, Inc. on July 1, 2018 for those services.

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, 2017

	Primary Government			
	Governmental Activities	Business-Type Activity	Total	Component Units
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$32,391,109	\$3,730,404	\$36,121,513	\$1,395,855
Cash and Cash Equivalents in Segregated Accounts	201,524	232,660	434,184	0
Accrued Interest Receivable	19,801	0	19,801	0
Materials and Supplies Inventory	587,855	9,480	597,335	7,983
Accounts Receivable	56,987	2,537,856	2,594,843	218,940
Prepaid Items	664,912	69,329	734,241	0
Sales Tax Receivable	2,787,408	0	2,787,408	0
Property Taxes Receivable	10,829,808	0	10,829,808	0
Revenue in Lieu of Taxes Receivable	19,800	0	19,800	0
Due from Other Governments	11,515,846	0	11,515,846	92,851
Other Receivable	0	0	0	14,200
Loans Receivable	291,090	0	291,090	0
Investment in Joint Venture	129,578	0	129,578	0
Assets Held for Resale	0	0	0	1,167,434
Capital Assets:				
Land and Construction in Progress	2,493,377	541,659	3,035,036	372,187
Depreciable Capital Assets, Net	78,603,362	49,226,944	127,830,306	2,387,991
Total Assets	140,592,457	56,348,332	196,940,789	5,657,441
<u>Deferred Outflows Of Resources:</u>				
Deferred Charge On Refunding	151,475	0	151,475	0
Pension	13,265,138	507,227	13,772,365	0
Total Deferred Outflows of Resources	13,416,613	507,227	13,923,840	0
<u>Liabilities:</u>				
Accounts Payable	1,479,644	104,360	1,584,004	15,216
Contracts Payable	190,833	7,185	198,018	500
Accrued Wages Payable	533,349	15,270	548,619	9,741
Due to Other Governments	694,180	138,257	832,437	0
Accrued Interest Payable	17,717	387,078	404,795	0
Matured Compensated Absences Payable	34,322	0	34,322	0
Compensatory Time Payable	75,716	19,759	95,475	0
Retainage Payable	35,740	0	35,740	0
Accrued Liabilities	0	0	0	13,423
Due to Grantors	0	0	0	4,600
Unearned Revenue	0	0	0	39,175
Long-Term Liabilities:				
Due Within One Year	1,833,908	629,895	2,463,803	203,078
Due in More Than One Year:				
Net Pension Liability (See Note 12)	34,657,876	1,272,001	35,929,877	0
Other Amounts	6,558,287	22,036,453	28,594,740	0
Total Liabilities	46,111,572	24,610,258	70,721,830	285,733
<u>Deferred Inflows Of Resources</u>				
Property Taxes	8,912,903	0	8,912,903	0
Revenue In Lieu Of Taxes	19,800	0	19,800	0
Pension	586,483	39,542	626,025	0
Total Deferred Inflows Of Resources	9,519,186	39,542	9,558,728	0
<u>Net Position:</u>				
Net Investment in Capital Assets	75,876,294	27,450,548	103,326,842	2,760,178
Restricted for:				
Debt Service	34,348	0	34,348	0
Capital Projects	165,830	0	165,830	0
Public Safety	2,936,119	0	2,936,119	0
Human Services	6,695,113	0	6,695,113	0
Public Works	4,382,352	0	4,382,352	0
Health	7,036,941	0	7,036,941	0
Community and Economic Development	717,948	0	717,948	0
Transportation	111,326	0	111,326	0
Judicial	612,905	0	612,905	0
Legislative and Executive	104	0	104	0
Other Purposes	2,131,800	0	2,131,800	0
Unrestricted (Deficit)	(2,322,768)	4,755,211	2,432,443	2,611,530
Total Net Position	\$98,378,312	\$32,205,759	\$130,584,071	\$5,371,708

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2017

	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	\$10,342,977	\$1,931,136	\$0	\$0
Judicial	3,660,443	1,485,810	710,984	0
Public Safety:				
Sheriff	7,283,982	1,715,993	255,102	0
Other	2,733,152	293,354	1,278,648	0
Public Works	5,854,601	239,603	4,744,350	1,175,601
Health	11,307,932	351,075	5,457,546	0
Human Services	14,744,332	282,557	12,314,709	0
Conservation and Recreation	404,933	14,226	28,133	0
Economic Development and Assistance	725,203	6,783	570,137	0
Transportation	1,022,535	350,025	540,877	0
Interest and Fiscal Charges	264,420	0	0	0
<i>Total Governmental Activities</i>	58,344,510	6,670,562	25,900,486	1,175,601
<u>Business-Type Activity:</u>				
Sewer	4,203,893	4,233,247	0	33,057
<i>Total Primary Government</i>	<u>\$62,548,403</u>	<u>\$10,903,809</u>	<u>\$25,900,486</u>	<u>\$1,208,658</u>
<i>Component Units</i>	<u>\$2,199,307</u>	<u>\$2,312,031</u>	<u>\$1,569,265</u>	<u>\$95,131</u>

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 - Restated (See Notes 3 and 26)

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
(\$8,411,841)	\$0	(\$8,411,841)	\$0
(1,463,649)	0	(1,463,649)	0
(5,312,887)	0	(5,312,887)	0
(1,161,150)	0	(1,161,150)	0
304,953	0	304,953	0
(5,499,311)	0	(5,499,311)	0
(2,147,066)	0	(2,147,066)	0
(362,574)	0	(362,574)	0
(148,283)	0	(148,283)	0
(131,633)	0	(131,633)	0
(264,420)	0	(264,420)	0
(24,597,861)	0	(24,597,861)	0
0	62,411	62,411	0
(24,597,861)	62,411	(24,535,450)	0
0	0	0	1,777,120
2,008,499	0	2,008,499	0
6,056,044	0	6,056,044	0
1,074,445	0	1,074,445	0
112,790	0	112,790	0
558,672	0	558,672	0
11,901,870	0	11,901,870	0
255	0	255	0
8,798,547	0	8,798,547	0
74,611	0	74,611	8,083
990,109	32,670	1,022,779	686
31,575,842	32,670	31,608,512	8,769
15,000	(15,000)	0	0
31,590,842	17,670	31,608,512	8,769
6,992,981	80,081	7,073,062	1,785,889
91,385,331	32,125,678	123,511,009	3,585,819
<u>\$98,378,312</u>	<u>\$32,205,759</u>	<u>\$130,584,071</u>	<u>\$5,371,708</u>

SCIOTO COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Public Assistance Fund	Motor Vehicle Gas Tax Fund
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$13,425,356	\$1,066,492	\$2,095,658
Cash and Cash Equivalents in			
Segregated Accounts	148,258	7,428	0
Receivables:			
Sales Tax	2,787,408	0	0
Property Taxes	2,429,757	0	0
Accounts	24,757	93	0
Accrued Interest	19,801	0	0
Interfund	41,747	51,280	0
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	4,628,056	661,249	2,279,459
Prepaid Items	247,437	169,470	23,694
Materials and Supplies Inventory	54,337	16,589	505,882
Loans Receivable	175,000	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	<u>164,498</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$24,146,412</u></u>	<u><u>\$1,972,601</u></u>	<u><u>\$4,904,693</u></u>
<u>Liabilities:</u>			
Accounts Payable	\$306,314	\$246,229	\$219,142
Contracts Payable	22,900	0	16,606
Accrued Wages Payable	167,674	105,125	80,890
Due to Other Governments	229,887	49,397	25,788
Interfund Payable	10,542	138,237	0
Retainage Payable	0	0	0
Matured Compensated Absences Payable	<u>2,373</u>	<u>5,975</u>	<u>0</u>
<i>Total Liabilities</i>	<u>739,690</u>	<u>544,963</u>	<u>342,426</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes not Levied to Finance Current			
Year Operations	1,984,499	0	0
Payment in Lieu of Taxes not Intended to Finance			
Current Year Operations	0	0	0
Unavailable Revenue	<u>2,071,226</u>	<u>0</u>	<u>1,578,034</u>
<i>Total Deferred Inflows of Resources</i>	<u>4,055,725</u>	<u>0</u>	<u>1,578,034</u>
<u>Fund Balances:</u>			
Nonspendable	623,772	186,059	529,576
Restricted	0	1,241,579	2,454,657
Committed	0	0	0
Assigned	409,669	0	0
Unassigned	<u>18,317,556</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u>19,350,997</u>	<u>1,427,638</u>	<u>2,984,233</u>
<i>Total Liabilities, Deffered Inflows of Resources and Fund Balances</i>	<u><u>\$24,146,412</u></u>	<u><u>\$1,972,601</u></u>	<u><u>\$4,904,693</u></u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities Fund	Children Services Fund	Nonmajor Governmental Funds	Total
\$4,238,982	\$1,591,051	\$9,809,072	\$32,226,611
0	0	45,838	201,524
0	0	0	2,787,408
7,085,381	1,182,129	132,541	10,829,808
515	0	31,622	56,987
0	0	0	19,801
0	107,930	30,307	231,264
14,400	3,600	1,800	19,800
2,130,360	731,108	1,085,614	11,515,846
83,015	44,672	96,624	664,912
8,328	0	2,719	587,855
0	0	116,090	291,090
0	0	0	164,498
<u>\$13,560,981</u>	<u>\$3,660,490</u>	<u>\$11,352,227</u>	<u>\$59,597,404</u>
\$128,964	\$140,652	\$438,343	\$1,479,644
140,875	0	10,452	190,833
66,520	30,956	82,184	533,349
293,283	16,235	79,590	694,180
0	0	82,485	231,264
14,898	0	20,842	35,740
22,176	0	3,798	34,322
<u>666,716</u>	<u>187,843</u>	<u>717,694</u>	<u>3,199,332</u>
5,839,671	974,578	114,155	8,912,903
14,400	3,600	1,800	19,800
<u>2,865,752</u>	<u>566,798</u>	<u>625,880</u>	<u>7,707,690</u>
<u>8,719,823</u>	<u>1,544,976</u>	<u>741,835</u>	<u>16,640,393</u>
91,343	44,672	99,343	1,574,765
4,083,099	1,882,999	9,443,345	19,105,679
0	0	327,119	327,119
0	0	22,891	432,560
0	0	0	18,317,556
<u>4,174,442</u>	<u>1,927,671</u>	<u>9,892,698</u>	<u>39,757,679</u>
<u>\$13,560,981</u>	<u>\$3,660,490</u>	<u>\$11,352,227</u>	<u>\$59,597,404</u>

SCIOTO COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances		\$39,757,679
 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	719,783	
Depreciable capital assets	135,492,776	
Accumulated depreciation	<u>(56,889,414)</u>	
Total capital assets		81,096,739
The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities.		
		129,578
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	171,266	
Delinquent property taxes	1,916,905	
Accounts	1,290	
Intergovernmental	<u>5,618,229</u>	
Total		7,707,690
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.		
		151,475
In the Statement of Activities, interest is accrued on long-term debt, whereas in governmental funds, an interest expenditure is reported when due.		
		(17,717)
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	13,265,138	
Deferred Inflows - Pension	(586,483)	
Net Pension Liability	<u>(34,657,876)</u>	
Total		(21,979,221)
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	(6,010,000)	
Premium on Debt Issued	(3,231)	
Capital leases payable	(412,116)	
Compensated absences	(1,884,290)	
Accrued compensatory time payable	(75,716)	
Workers' compensation claims payable	<u>(82,558)</u>	
Total liabilities		<u>(8,467,911)</u>
Net Position of Governmental Activities		<u><u>\$98,378,312</u></u>

See Accompanying Notes to the Basic Financial Statements

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SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Public Assistance Fund	Motor Vehicle Gas Tax Fund
<u>Revenues:</u>			
Property Taxes	\$1,971,327	\$0	\$0
Other Local Taxes	558,672	0	0
Sales Tax	12,078,918	0	0
Revenue in Lieu of Taxes	0	0	0
Charges for Services	2,216,955	131,155	233,305
Licenses and Permits	4,887	0	0
Fines and Forfeitures	256,128	0	6,298
Intergovernmental	9,286,515	8,046,726	4,760,342
Interest	67,605	0	6,215
Rent	2,703	0	0
Contributions and Donations	0	0	0
Miscellaneous	386,250	62,986	13,159
<i>Total Revenues</i>	<u>26,829,960</u>	<u>8,240,867</u>	<u>5,019,319</u>
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	8,766,510	0	0
Judicial	2,519,300	0	0
Public Safety:			
Sheriff	4,298,162	0	0
Other	781,295	0	0
Public Works	0	0	3,607,905
Health	370,503	0	0
Human Services	396,044	8,440,191	0
Conservation and Recreation	276,771	0	0
Economic Development and Assistance	125,102	0	0
Transportation	0	0	0
Capital Outlay	322,706	0	16,606
Debt Service:			
Principal Retirement	102,253	1,662	0
Interest and Fiscal Charges	1,673	96	0
<i>Total Expenditures</i>	<u>17,960,319</u>	<u>8,441,949</u>	<u>3,624,511</u>
Excess of Revenues Over (Under) Expenditures	<u>8,869,641</u>	<u>(201,082)</u>	<u>1,394,808</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	261,261	0	0
Transfers In	25,368	154,215	25,000
Transfers Out	(1,569,427)	(217,019)	(221,708)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,282,798)</u>	<u>(62,804)</u>	<u>(196,708)</u>
<i>Net Change in Fund Balances</i>	7,586,843	(263,886)	1,198,100
<i>Fund Balances at Beginning of Year</i>	<u>11,764,154</u>	<u>1,691,524</u>	<u>1,786,133</u>
<i>Fund Balances at End of Year</i>	<u><u>\$19,350,997</u></u>	<u><u>\$1,427,638</u></u>	<u><u>\$2,984,233</u></u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities Fund	Children Services Fund	Nonmajor Governmental Funds	Total
\$5,947,543	\$1,056,406	\$111,170	\$9,086,446
0	0	0	558,672
0	0	0	12,078,918
0	255	0	255
299,165	14,143	3,271,425	6,166,148
0	0	43,990	48,877
0	0	189,118	451,544
5,338,506	2,865,080	5,546,673	35,843,842
492	0	299	74,611
0	0	0	2,703
27,835	22,381	2,438	52,654
285,684	10,114	238,020	996,213
<u>11,899,225</u>	<u>3,968,379</u>	<u>9,403,133</u>	<u>65,360,883</u>
0	0	838,130	9,604,640
0	0	573,422	3,092,722
0	0	1,654,767	5,952,929
0	0	1,660,509	2,441,804
0	0	10,759	3,618,664
10,535,652	0	303,956	11,210,111
0	3,508,217	1,277,785	13,622,237
0	0	237,163	513,934
0	0	566,695	691,797
0	0	873,273	873,273
63,787	0	1,877,301	2,280,400
121,818	54,375	611,296	891,404
18,867	2,932	229,139	252,707
<u>10,740,124</u>	<u>3,565,524</u>	<u>10,714,195</u>	<u>55,046,622</u>
<u>1,159,101</u>	<u>402,855</u>	<u>(1,311,062)</u>	<u>10,314,261</u>
19,514	0	6,933	287,708
0	0	1,883,939	2,088,522
0	0	(65,368)	(2,073,522)
<u>19,514</u>	<u>0</u>	<u>1,825,504</u>	<u>302,708</u>
1,178,615	402,855	514,442	10,616,969
<u>2,995,827</u>	<u>1,524,816</u>	<u>9,378,256</u>	<u>29,140,710</u>
<u>\$4,174,442</u>	<u>\$1,927,671</u>	<u>\$9,892,698</u>	<u>\$39,757,679</u>

SCIOTO COUNTY, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$10,616,969

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	2,854,754	
Construction in progress additions	797,429	
Depreciation expense	<u>(3,734,911)</u>	
Excess of capital outlay over depreciation expense		(82,728)

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		(19,465)
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Because some revenues will not be collected for several months after the County's year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the funds. Deferred inflows of resources related to the following items changed by the amounts shown below:

Delinquent property taxes	165,332	
Sales tax	(1,045,408)	
Charges for services	1,290	
Intergovernmental	846,498	
Miscellaneous	<u>(6,104)</u>	
Total revenues		(38,392)

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.

(3,866)

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.

(287,708)

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.

2,556,262

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.

(6,633,702)

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	610,000	
Capital lease payments	<u>281,404</u>	
Total long-term debt repayments		891,404

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

Increase in compensated absences payable	(59,189)	
Increase in accrued compensatory time payable	(11,142)	
Decrease in workers' compensation claims payable	<u>76,251</u>	
Total		5,920

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	1,367	
Amortization of Deferred Charge on Refunding	(13,365)	
Amortization of premium on general obligation bonds	<u>285</u>	
Total		<u>(11,713)</u>

Change in Net Position of Governmental Activities \$6,992,981

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,880,000	\$1,880,000	\$1,971,117	\$91,117
Other Local Taxes	419,000	419,000	558,672	139,672
Sales Tax	11,000,000	11,000,000	12,495,638	1,495,638
Revenue in Lieu of Taxes	250	0	0	0
Charges for Services	1,825,200	1,823,700	1,529,495	(294,205)
Licenses and Permits	4,000	4,000	4,887	887
Fines and Forfeitures	163,500	163,500	257,195	93,695
Intergovernmental	2,209,000	2,209,250	2,440,405	231,155
Interest	70,000	70,000	113,175	43,175
Rent	2,000	2,000	2,170	170
Miscellaneous	17,400	18,900	238,695	219,795
Total Revenues	17,590,350	17,590,350	19,611,449	2,021,099
<u>Expenditures:</u>				
Current:				
General Government:				
Legislative and Executive	7,764,007	9,109,943	8,966,905	143,038
Judicial	2,128,439	2,259,851	2,161,938	97,913
Public Safety:				
Sheriff	4,332,610	4,420,610	4,419,199	1,411
Other	644,219	806,419	799,609	6,810
Health	356,778	362,278	358,081	4,197
Human Services	450,174	450,174	449,131	1,043
Conservation and Recreation	226,482	254,642	246,029	8,613
Economic Development and Assistance	95,710	128,079	125,192	2,887
Capital Outlay	0	38,545	38,545	0
Total Expenditures	15,998,419	17,830,541	17,564,629	265,912
Excess of Revenues Over (Under) Expenditures	1,591,931	(240,191)	2,046,820	2,287,011
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	601,052	601,052
Advances Out	0	0	(160,601)	(160,601)
Transfers In	0	0	25,368	25,368
Transfers Out	(1,560,067)	(1,724,279)	(1,619,427)	104,852
Total Other Financing Sources (Uses)	(1,560,067)	(1,724,279)	(1,153,608)	570,671
Net Change in Fund Balance	31,864	(1,964,470)	893,212	2,857,682
Fund Balance at Beginning of Year	6,587,391	6,587,391	6,587,391	0
Prior Year Encumbrances Appropriated	389,027	389,027	389,027	0
Fund Balance at End of Year	\$7,008,282	\$5,011,948	\$7,869,630	\$2,857,682

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Charges for Services	\$150,000	\$150,000	\$139,395	(\$10,605)
Intergovernmental	10,357,194	7,757,194	7,655,810	(101,384)
Miscellaneous	100,000	100,000	62,893	(37,107)
<i>Total Revenues</i>	10,607,194	8,007,194	7,858,098	(149,096)
<u>Expenditures:</u>				
Current:				
Human Services	10,846,762	9,120,541	8,547,991	572,550
Excess of Revenues Under Expenditures	(239,568)	(1,113,347)	(689,893)	423,454
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	154,215	154,215
Transfers Out	0	(217,019)	(217,019)	0
<i>Total Other Financing Sources (Uses)</i>	0	(217,019)	(62,804)	154,215
<i>Net Change in Fund Balance</i>	(239,568)	(1,330,366)	(752,697)	577,669
<i>Fund Balance at Beginning of Year</i>	1,320,939	1,320,939	1,320,939	0
<i>Prior Year Encumbrances Appropriated</i>	239,568	239,568	239,568	0
<i>Fund Balance at End of Year</i>	<u>\$1,320,939</u>	<u>\$230,141</u>	<u>\$807,810</u>	<u>\$577,669</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, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Charges for Services	\$72,000	\$87,000	\$233,305	\$146,305
Fines and Forfeitures	4,000	4,000	6,298	2,298
Intergovernmental	4,400,000	4,440,944	4,562,607	121,663
Interest	4,039	4,039	5,938	1,899
Miscellaneous	0	254	13,159	12,905
<i>Total Revenues</i>	4,480,039	4,536,237	4,821,307	285,070
<u>Expenditures:</u>				
Current:				
Public Works	6,640,441	6,313,851	4,848,772	1,465,079
Excess of Revenues Under Expenditures	(2,160,402)	(1,777,614)	(27,465)	1,750,149
<u>Other Financing Uses:</u>				
Transfers Out	(24,788)	(251,020)	(251,020)	0
<i>Net Change in Fund Balance</i>	(2,185,190)	(2,028,634)	(278,485)	1,750,149
<i>Fund Balance at Beginning of Year</i>	843,443	843,443	843,443	0
<i>Prior Year Encumbrances Appropriated</i>	1,185,190	1,185,190	1,185,190	0
<i>Fund Balance (Deficit) at End of Year</i>	(\$156,557)	(\$1)	\$1,750,148	\$1,750,149

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, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$5,398,000	\$5,398,000	\$5,857,327	\$459,327
Charges for Services	285,000	285,000	322,857	37,857
Intergovernmental	4,651,000	4,651,000	5,092,739	441,739
Contributions and Donations	10,000	10,000	16,400	6,400
Miscellaneous	206,309	206,309	282,077	75,768
<i>Total Revenues</i>	10,550,309	10,550,309	11,571,400	1,021,091
<u>Expenditures:</u>				
Current:				
Health	11,583,188	11,173,188	9,858,400	1,314,788
Excess of Revenues Over (Under) Expenditures	(1,032,879)	(622,879)	1,713,000	2,335,879
<u>Other Financing Uses:</u>				
Transfers Out	0	(600,000)	(150,000)	450,000
<i>Net Change in Fund Balance</i>	(1,032,879)	(1,222,879)	1,563,000	2,785,879
<i>Fund Balance at Beginning of Year</i>	1,323,628	1,323,628	1,323,628	0
<i>Prior Year Encumbrances Appropriated</i>	129,254	129,254	129,254	0
<i>Fund Balance at End of Year</i>	<u>\$420,003</u>	<u>\$230,003</u>	<u>\$3,015,882</u>	<u>\$2,785,879</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, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$760,000	\$760,000	\$1,011,296	\$251,296
Revenue in Lieu of Taxes	265	265	255	(10)
Charges for Services	0	0	81	81
Intergovernmental	1,850,000	1,850,000	2,777,820	927,820
Contributions and Donations	7,500	7,500	22,381	14,881
Miscellaneous	0	0	10,114	10,114
<i>Total Revenues</i>	2,617,765	2,617,765	3,821,947	1,204,182
<u>Expenditures:</u>				
Current:				
Human Services	3,595,404	3,695,404	3,613,323	82,081
<i>Net Change in Fund Balance</i>	(977,639)	(1,077,639)	208,624	1,286,263
<i>Fund Balance at Beginning of Year</i>	1,200,247	1,200,247	1,200,247	0
<i>Prior Year Encumbrances Appropriated</i>	41,462	41,462	41,462	0
<i>Fund Balance at End of Year</i>	<u>\$264,070</u>	<u>\$164,070</u>	<u>\$1,450,333</u>	<u>\$1,286,263</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Position
Enterprise Fund
December 31, 2017

	<i>Sewer Fund</i>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,730,404
Cash and Cash Equivalents in Segregated Accounts	232,660
Materials and Supplies Inventory	9,480
Accounts Receivable	2,537,856
Prepaid Items	69,329
	<u>6,579,729</u>
<i>Total Current Assets</i>	<u>6,579,729</u>
 <u>Non Current Assets:</u>	
Capital Assets:	
Nondepreciable Capital Assets	541,659
Depreciable Capital Assets, Net	49,226,944
	<u>49,768,603</u>
<i>Total Non Current Assets</i>	<u>49,768,603</u>
<i>Total Assets</i>	<u>56,348,332</u>
 <u>Deferred Outflows of Resources:</u>	
Pension	507,227
	<u>507,227</u>
 <u>Current Liabilities:</u>	
Accounts Payable	104,360
Contracts Payable	7,185
Accrued Wages Payable	15,270
Due to Other Governments	138,257
Accrued Interest Payable	387,078
General Obligation Bonds Payable	44,715
Farmer's Home Administration Bonds Payable	83,368
Ohio Public Works Commission Loans Payable	79,140
Ohio Water Development Authority Loans Payable	102,410
United States Department of Agriculture Loan Payable	270,420
Compensatory Time Payable	19,759
Compensated Absences Payable	49,842
	<u>1,301,804</u>
<i>Total Current Liabilities</i>	<u>1,301,804</u>
 <u>Long-Term Liabilities (Net of Current Portion):</u>	
General Obligation Bonds Payable	1,821,414
Farmer's Home Administration Bonds Payable	2,315,645
Ohio Public Works Commission Loans Payable	976,571
Ohio Water Development Authority Loans Payable	1,433,745
United States Department of Agriculture Loan Payable	15,446,170
Compensated Absences Payable	42,908
Net Pension Liability	1,272,001
	<u>23,308,454</u>
<i>Total Long-Term Liabilities</i>	<u>23,308,454</u>
<i>Total Liabilities</i>	<u>24,610,258</u>
 <u>Deferred Inflows of Resources:</u>	
Pension	39,542
	<u>39,542</u>
 <u>Net Position:</u>	
Net Investment in Capital Assets	27,450,548
Unrestricted	4,755,211
	<u>4,755,211</u>
<i>Total Net Position</i>	<u>\$32,205,759</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, 2017

	<i>Sewer Fund</i>
<u>Operating Revenues:</u>	
Charges for Services	\$4,233,247
<u>Operating Expenses:</u>	
Personal Services	812,443
Fringe Benefits	642,909
Contractual Services	1,029,259
Materials and Supplies	116,012
Depreciation	995,895
Other	9,307
<i>Total Operating Expenses</i>	3,605,825
Operating Income	627,422
<u>Non-Operating Revenues (Expenses):</u>	
Capital Grants and Contributions	33,057
Interest and Fiscal Charges	(598,068)
Other Non-Operating Revenues	32,670
<i>Total Non-Operating Revenues (Expenses)</i>	(532,341)
Income Before Transfers Out	95,081
Transfers Out	(15,000)
<i>Change in Net Position</i>	80,081
<i>Net Position at Beginning of Year</i>	32,125,678
<i>Net Position at End of Year</i>	\$32,205,759

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2017

	<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	\$4,169,381
Cash Payments to Suppliers for Goods and Services	(1,170,000)
Cash Payments to Employees for Services	(801,126)
Cash Payments for Employee Benefits	(486,694)
Other Nonoperating Revenues	32,670
Cash Payments for Other Operating Expenses	(9,307)
	<u>1,734,924</u>
<i>Net Cash Provided by Operating Activities</i>	<u>1,734,924</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Capital Grants Received	232,311
Proceeds of Loans	20,431
Aquisition of Capital Assets	(172,107)
Principal Paid on Bonds and Loans	(770,074)
Interest Paid on Bonds and Loans	(595,434)
	<u>(1,284,873)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(1,284,873)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfers Out	(15,000)
	<u>(15,000)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	435,051
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,528,013</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$3,963,064</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	<u>\$627,422</u>
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>	
Depreciation	995,895
Other Non-Operating Revenues	32,670
Decrease in Materials and Supplies Inventory	692
Increase in Accounts Receivable	(161,734)
Decrease in Loan Receivable	97,868
Increase in Prepaid Items	(32,105)
Decrease in Deferred Outflows of Resources - Pension	171,858
Increase in Accounts Payable	22,419
Increase in Accrued Wages and Benefits	205
Increase in Due to Other Governments	18,702
Increase in Compensatory Time Payable	1,882
Increase in Compensated Absences Payable	8,695
Decrease in Contracts Payable	(30,615)
Increase in Net Pension Liability	28,475
Decrease in Deferred Inflows of Resources - Pension	(44,118)
Decrease in Retainage Payable	(3,287)
	<u>1,107,502</u>
<i>Total Adjustments</i>	<u>1,107,502</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$1,734,924</u></u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets:

Equity in Pooled Cash and Cash Equivalents	\$4,651,804
Cash and Cash Equivalents in Segregated Accounts	705,446
Receivables:	
Property Taxes	51,003,704
Accounts	409,691
Revenue in Lieu of Taxes	160,200
Due from Other Governments	<u>2,683,128</u>
 <i>Total Assets</i>	 <u><u>\$59,613,973</u></u>

Liabilities:

Due to Other Governments	\$54,256,723
Undistributed Monies	<u>5,357,250</u>
 <i>Total Liabilities</i>	 <u><u>\$59,613,973</u></u>

See Accompanying Notes to the Basic Financial Statements

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SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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. As of July 1, 2018, STAR Inc. became a private agency (see Note 25).

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

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

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. Separately issued financial statements can be obtained from the Scioto County Airport Authority, located at 37 Glen Court, Minford, Ohio 45653.

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 25 relates to the primary government. Information related to the discretely presented component units is presented in Note 26 and 27.

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:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

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

FUND ACCOUNTING

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the County: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and 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 property tax, 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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding 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, revenue 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, 2017, but which were levied to finance 2018 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 21.

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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Federal Home Loan Bank Notes, and Negotiable Certificates of Deposit.

During 2017, 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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For 2017, 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 2017 amounted to \$67,605, of which \$36,523 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, 2017, 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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Buildings and Building Improvements	7-50 years
Furniture, Fixtures, and Equipment	5-30 years
Vehicles	8 years
Infrastructure	5-65 years

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

CAPITALIZATION OF INTEREST

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

COMPENSATED ABSENCES

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

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

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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, unclaimed monies, and long-term receivable.

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF CAPITAL ASSETS

Change in Accounting Principle

For 2017, the County implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2016-1. These changes were incorporated in the County's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Capital Assets

During 2017, the County determined that, in prior years, buildings associated with the Scioto County Fair Board and the STAR Justice Center were incorrectly included as part of the County's assets, which caused the assets to be overstated.

	Governmental Activities
Net Position December 31, 2016	\$103,034,781
Adjustments:	
Capital Assets overstated	(18,290,657)
Accumulated Depreciation Overstated	6,641,207
Restated Net Position, December 31, 2016	<u>\$91,385,331</u>

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).

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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).

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

	Net Change in Fund Balance				
	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services
GAAP Basis	\$7,586,843	(\$263,886)	\$1,198,100	\$1,178,615	\$402,855
Increases (Decreases) Due to:					
Revenue Accruals	(3,517,418)	(381,935)	(197,735)	196,114	(101,322)
Expenditure Accruals	141,082	152,640	(953,084)	269,254	17,540
Encumbrances	(449,063)	(258,682)	(344,295)	(145,250)	(65,339)
Unrecorded Cash - 2016	375,410	6,594	938	180,513	30,269
Unrecorded Cash - 2017	(325,970)	(7,428)	(1,215)	(270,750)	(75,379)
Increase in Fair Value of Investments - 2016	(1,050)	0	0	0	0
Increase in Fair Value of Investments - 2017	65,621	0	0	0	0
Transfers	(50,000)	0	(54,312)	(150,000)	0
Advances	440,451	0	0	0	0
Perspective Differences	(3,372,694)	0	73,118	304,504	0
Budget Basis	<u>\$893,212</u>	<u>(\$752,697)</u>	<u>(\$278,485)</u>	<u>\$1,563,000</u>	<u>\$208,624</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands on the County 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 with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, 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 security 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts, in eligible institutions pursuant to ORC sections 135.32;
6. 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 or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Up to forty 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 five hundred million dollars, which are rated in the highest classification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase and the investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.
 - b. Bankers acceptances of banks that are insured by the federal deposit insurance corporation and that mature not later than 180 days after purchase.
10. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. 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. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two 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. All interest and principal shall be denominated and payable in United States funds.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they 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.

DEPOSITS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$738,326 of the County's bank balance of \$988,326 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Three of the County's five financial institutions were in the process of joining OPCS; however, at December 31, 2017, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

INVESTMENTS

Investments are reported at fair value. As of December 31, 2017, the County had the following investments:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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	\$2,502,805	\$2,502,805	\$0	N/A	N/A
Fair Value - Level One Input:					
US Money Market	20,182	20,182	0	N/A	N/A
Fair Value - Level Two Input:					
Federal Home Loan Bank Notes	452,806	452,806	0	N/A	4.79%
Negotiable Certificates of Deposit	6,481,573	2,029,031	4,452,542	N/A	68.53%
Total	<u>\$9,457,366</u>	<u>\$5,004,824</u>	<u>\$4,452,542</u>		

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, 2017. 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 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2017, was \$10.93 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$794,473,160
Commercial/Industrial/Public Utility	155,364,170
Public Utility Real	15,151,680
Public Utility Personal	131,109,330
Total Assessed Value	<u>\$1,096,098,340</u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2017, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 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 purposes of GASB Statement No 77, the definition of a tax abatement is: A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. (GASB 77, paragraph 4) See paragraphs 7 and 8 of GASB 77 for specific information related to disclosures of tax abatements. This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. As of December 31, 2017, the County provides tax abatements through one program: Enterprise Zone Tax Exemptions.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 7 – TAX ABATEMENTS (Continued)

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.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2017.

Tax Abatement Program	Amount of 2017 Taxes Abated
<i>Enterprise Zone Tax Exemptions</i>	
- Manufacturing	\$1,999

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

Overlapping Government	Amount of 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
Village of New Boston	\$11,467

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 2017.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, accounts (billings for user charged services), interest, interfund activity, revenue in lieu of taxes, and 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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 9 – RECEIVABLES (Continued)

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2017, was \$116,090, of which \$13,883 is considered to be due within one year.

The County made a non-interest bearing loan to the Scioto County Fair Board in November of 2017 for the amount of \$175,000 for the construction of a new poultry barn at the Scioto County Fairgrounds. The Scioto County Fair Board shall make a payment to the County in the amount of \$17,500 annually. The first payment is expected during 2018. The loans receivable balance at December 31, 2017 was \$175,000, of which \$17,500 is considered to be due within one year.

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

<u>Governmental Activities Intergovernmental Receivables</u>	<u>Amount</u>
Board of Developmental Disabilities Contract Services / Reimbursements	\$562,631
Board of Developmental Disabilities State Foundation	663,821
Board of Developmental Disabilities Subsidies	423,855
Board of Developmental Disabilities Targeted Case Management	91,484
Bridges to Transition Grant	1,297
Bureau of Worker's Compensation	3,023
Casino Revenues	453,471
Community Development Block Grant	241,711
Human Services Grants / Reimbursements	661,249
Child Support Poundage	15,207
Child Support Grants / Reimbursements	94,867
Children Services Grants / Reimbursements	707,126
Community Correction Grants	240,571
Felony Delinquent Care and Custody Grant	194,639
Gas Tax	1,156,501
High Intensity Drug Trafficking Areas Program	1,426
Homestead / Rollback	492,931
Indigent Defense	69,995
Justice Reinvestment Grant	63,203
Local Government	274,511
Medicaid Sales Tax Reimbursement	3,677,270
MVL Tax	1,122,958
Police Training	12,400
Prisoner Housing and Medical	5,679
Rural Transit Program Grant	50,404
Sheriff Rotary Patrols	105,555
Special Education Grant	67,287
Title XX Grant	4,497
State Victims Assistance and Victims of Crime Act Grants	56,277
Total Governmental Activities	\$11,515,846

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2017, was as follows:

	Restated Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,773,594	\$0	\$0	\$1,773,594
Construction in Progress	3,557,179	797,429	(3,634,825)	719,783
Total Capital Assets, Not Being Depreciated	5,330,773	797,429	(3,634,825)	2,493,377
Depreciable Capital Assets:				
Land Improvements	3,312,269	21,320	(7,393)	3,326,196
Buildings and Building Improvements	30,605,208	460,917	(12,022)	31,054,103
Furniture, Fixtures, and Equipment	7,948,141	252,593	(342,755)	7,857,979
Vehicles	4,684,996	673,139	(149,736)	5,208,399
Infrastructure	83,011,472	5,081,610	(46,983)	88,046,099
Total Depreciable Capital Assets	129,562,086	6,489,579	(558,889)	135,492,776
Total Capital Assets At Historical Cost	134,892,859	7,287,008	(4,193,714)	137,986,153
Less Accumulated Depreciation:				
Land Improvements	(735,563)	(163,800)	7,393	(891,970)
Buildings and Building Improvements	(11,790,358)	(595,897)	12,022	(12,374,233)
Furniture, Fixtures, and Equipment	(5,146,165)	(380,174)	333,172	(5,193,167)
Vehicles	(3,193,789)	(338,773)	142,204	(3,390,358)
Infrastructure	(32,828,052)	(2,256,267)	44,633	(35,039,686)
Total Accumulated Depreciation	(53,693,927)	(3,734,911) *	539,424	(56,889,414)
Depreciable Capital Assets, Net	75,868,159	2,754,668	(19,465)	78,603,362
Governmental Activities Capital Assets, Net	\$81,198,932	\$3,552,097	(\$3,654,290)	\$81,096,739

*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$120,810
Judicial	111,707
Public Safety:	
Sheriff	486,809
Other	43,527
Public Works	2,525,608
Health	206,849
Human Services	85,544
Conservation and Recreation	72,536
Transportation	81,521
Total Depreciation Expense	<u>\$3,734,911</u>

The County's capital assets reported above for Governmental Activities include \$8,741,242 in fully depreciated capital assets.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 10 - CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended December 31, 2017, was as follows:

	Balance at 12/31/2016	Additions	Deletions	Balance at 12/31/2017
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$485,974	\$0	\$0	\$485,974
Construction in Progress	69,587	101,629	(115,531)	55,685
Total Capital Assets, Not Being Depreciated	555,561	101,629	(115,531)	541,659
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	1,148,836	29,600	(12,548)	1,165,888
Vehicles	316,156	40,877	0	357,033
Infrastructure	51,462,716	115,532	0	51,578,248
Total Depreciable Capital Assets	60,214,683	186,009	(12,548)	60,388,144
Less Accumulated Depreciation:				
Land Improvements	(3,222)	(1,195)	0	(4,417)
Buildings and Building Improvements	(3,541,444)	(145,594)	0	(3,687,038)
Furniture, Fixtures, and Equipment	(758,353)	(39,622)	12,548	(785,427)
Vehicles	(236,981)	(17,793)	0	(254,774)
Infrastructure	(5,637,853)	(791,691)	0	(6,429,544)
Total Accumulated Depreciation	(10,177,853)	(995,895)	12,548	(11,161,200)
Depreciable Capital Assets, Net	50,036,830	(809,886)	0	49,226,944
Business-Type Activities				
Capital Assets, Net	\$50,592,391	(\$708,257)	(\$115,531)	\$49,768,603

The County's capital assets reported above for Business-Type Activities include \$851,665 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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 11 - RISK MANAGEMENT (Continued)

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, 2017, 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
2016	\$177,929	\$34,319	\$53,439	\$158,809
2017	158,809	20,848	97,099	82,558

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 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):

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C 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
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
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	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	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

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:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	State and Local	Law Enforcement
2017 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
 2017 Actual Contribution Rates		
Employer:		
Pension	13.0 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0
 Total Employer	 14.0 %	 18.1 %
 Employee	 10.0 %	 13.0 %

** 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 \$2,606,685 for 2017. Of this amount, \$268,937 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 was increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent was paid on the fifth anniversary of the retirement benefit. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular 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 after termination of employment at age 50 or later.

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.

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, 2017, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The 2017 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$82,322 for 2017. Of this amount \$1,800 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, 2016, and the net pension liability for STRS was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial calculation as of the respective measurement dates. 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:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.15310712%	0.00489094%	
Prior Measurement Date	<u>0.15238630%</u>	<u>0.00604072%</u>	
Change in Proportionate Share	<u>0.00072082%</u>	<u>-0.00114978%</u>	
Proportionate Share of the Net Pension Liability	\$34,768,024	\$1,161,853	\$35,929,877
Pension Expense	\$7,466,743	(\$544,081)	\$6,922,662

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$47,125	\$44,866	\$91,991
Changes of assumptions	5,514,635	254,110	5,768,745
Net difference between projected and actual earnings on pension plan investments	5,177,761	0	5,177,761
Changes in proportion and differences between County contributions and proportionate share of contributions	62,275	19,964	82,239
County contributions subsequent to the measurement date	<u>2,606,685</u>	<u>44,944</u>	<u>2,651,629</u>
Total Deferred Outflows of Resources	<u>\$13,408,481</u>	<u>\$363,884</u>	<u>\$13,772,365</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$206,922	\$9,364	\$216,286
Net difference between projected and actual earnings on pension plan investments	0	38,343	38,343
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>31,972</u>	<u>339,424</u>	<u>371,396</u>
Total Deferred Inflows of Resources	<u>\$238,894</u>	<u>\$387,131</u>	<u>\$626,025</u>

\$2,651,629 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Year Ending December 31:	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$4,347,370	(\$43,176)	\$4,304,194
2019	4,524,207	8,983	4,533,190
2020	1,843,099	13,294	1,856,393
2021	<u>(151,774)</u>	<u>(47,292)</u>	<u>(199,066)</u>
Total	<u>\$10,562,902</u>	<u>(\$68,191)</u>	<u>\$10,494,711</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.

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, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 (Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, 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, 2015. The prior 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 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 contractually required rates, as actuarially determined. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
County's proportionate share of the net pension liability	\$53,115,922	\$34,768,024	\$19,478,288

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. 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 an estimate range 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:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that 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. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
County's proportionate share of the net pension liability	\$1,665,477	\$1,161,853	\$737,626

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

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.

OPERS maintains a cost-sharing, multiple-employer defined benefit 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 the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of 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 2017, 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 to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent 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 2017 was 4.0 percent.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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, 2017, 2016, and 2015 was \$245,896, \$486,371, and \$446,255, respectively. For 2017, 89.32 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2019. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care.

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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

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 Sun Life Financial, 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 2017 and in prior years, the County entered into capitalized leases for energy-saving renovations to certain buildings, for furniture, fixtures, equipment, and vehicles. 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 2016. The lease for the facilities of the Board of Developmental Disabilities expired 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 \$1,143,938. A corresponding liability was recorded on the Statement of Net Position for governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2017 totaled \$281,404 in the governmental funds.

The assets acquired through capital leases as of December 31, 2017, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$762,918	\$325,733	\$437,185
Furniture, Fixtures, and Equipment	144,509	63,502	81,007
Vehicles	236,511	20,941	215,570
Total	\$1,143,938	\$410,176	\$733,762

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, 2017:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 15 - LEASES – LESSEE DISCLOSURE (Continued)

Year Ending December 31,	Amount
2018	\$163,014
2019	130,443
2020	38,683
2021	33,611
2022	27,460
2023-2027	108,000
2028	18,000
Total	519,211
Less: Amount Representing Interest	(107,095)
Present Value of Net Minimum Lease Payments	\$412,116

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 2017 were \$10,747, 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
2018	\$10,747
2019	4,357
Total	\$15,104

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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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 or 30 year general obligation loans payable. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loans will be repaid from the Sewer Fund.

Ohio Water Development Authority (OWDA) Loans

The OWDA loans consist of money owed to the Ohio Water Development Authority for various sewer line and pump station renovation projects. These consist of 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:

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/2016	Additions	Deletions	Principal Outstanding at 12/31/2017	Due Within One Year
<i>Business-Type Activity</i>					
<i>General Obligation Bonds</i>					
Franklin Furnace Sewer Improvement Bonds 1997 4.50% - \$846,000	\$616,272	\$0	\$18,242	\$598,030	\$19,063
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	215,000	0	215,000	0	0
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,007,610	0	19,870	987,740	20,770
Rigrish Sewer Bonds 2006 4.50% - \$322,000	285,031	0	4,672	280,359	4,882
Total Enterprise General Obligation Bonds	2,123,913	0	257,784	1,866,129	44,715
<i>Farmer's Home Administration (FHA) Bonds</i>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	541,900	0	20,900	521,000	22,000
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	444,840	0	15,310	429,530	15,990
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	595,557	0	18,984	576,573	19,838
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	634,300	0	16,290	618,010	17,020
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	262,040	0	8,140	253,900	8,520
Total FHA Bonds	2,478,637	0	79,624	2,399,013	83,368
<i>OPWC Loans</i>					
2002 OPWC Wheelersbug Pump Station Renovations 0% - \$162,352	48,700	0	8,118	40,582	8,118
2004 OPWC Sanitary Sewer System Renovations 0% - \$162,100	64,828	0	8,106	56,722	8,106
2006 OPWC Wheelersburg and West Portsmouth Pump Station 0% - \$235,543	123,652	0	11,778	111,874	11,778
2006 OPWC Sciotoville Area Sanitary Sewer Extensions 0% - \$9,482	4,979	0	474	4,505	474
2008 OPWC Pump Station Renovations 0% - \$201,860	126,163	0	10,093	116,070	10,093
2009 OPWC Sanitary Sewer Improvements 0% - \$165,000	111,375	0	8,250	103,125	8,250
2012 OPWC Sanitary Sewer Improvements UV Project 0% - \$181,000	119,057	0	6,435	112,622	6,435
2014 OPWC Sanitary Sewer Eden Park Extension 0% - \$247,872	502,722	4,165	12,671	494,216	25,344
2017 OPWC West Portsmouth Modification 0% - \$16,266	0	16,266	271	15,995	542
Total OPWC Loans	1,101,476	20,431	66,196	1,055,711	79,140
<i>OWDA and USDA Loans</i>					
Wastewater Treatment and Collection System for South Webster 2003 0%	1,638,565	0	102,410	1,536,155	102,410
Eden Park Extension USDA Loan 4.5%	1,305,100	0	22,000	1,283,100	22,600
Minford Sewer System Project USDA Loan 4.5%	14,675,550	0	242,060	14,433,490	247,820
Total OWDA and USDA Loans	17,619,215	0	366,470	17,252,745	372,830
<i>Other Long-Term Obligations</i>					
Compensated Absences	84,055	18,420	9,725	92,750	49,842
Net Pension Liability - OPERS	931,596	340,405	0	1,272,001	0
Total Other Long-Term Obligations	1,015,651	358,825	9,725	1,364,751	49,842
Total Business-Type Activities	\$24,338,892	\$379,256	\$779,799	\$23,938,349	\$629,895

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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
	2018	\$44,715	\$83,976	\$83,368	\$111,195	\$79,140	\$102,410	\$270,420	\$378,107	\$580,053
2019	46,713	81,964	87,361	107,312	79,140	102,411	276,900	371,642	\$592,525	\$560,918
2020	48,829	79,895	91,374	103,243	79,140	102,411	283,520	365,021	\$605,274	\$548,159
2021	51,016	77,664	95,629	98,986	79,140	102,410	290,300	358,238	\$618,495	\$534,888
2022	53,315	75,368	100,088	94,531	79,132	102,410	297,210	351,293	\$632,155	\$521,192
2023-2027	304,806	338,650	574,748	398,223	324,633	512,051	1,596,430	1,646,230	\$3,312,668	\$2,383,103
2028-2032	379,835	263,634	721,703	251,160	197,375	512,052	1,797,200	1,445,477	\$3,608,165	\$1,960,271
2033-2037	473,357	170,092	560,792	82,895	132,856	0	2,023,590	1,218,971	\$3,190,595	\$1,471,958
2038-2042	338,367	75,197	83,950	5,708	2,710	0	2,279,280	963,429	\$2,704,307	\$1,044,334
2043-2047	125,176	10,032	0	0	2,445	0	2,567,730	674,933	\$2,695,351	\$684,965
2048-2052	0	0	0	0	0	0	2,893,580	349,091	\$2,893,580	\$349,091
2053-2054	0	0	0	0	0	0	1,140,430	40,787	\$1,140,430	\$40,787
Totals	\$1,866,129	\$1,256,472	\$2,399,013	\$1,253,253	\$1,055,711	\$1,536,155	\$15,716,590	\$8,163,219	\$22,573,598	\$10,672,944

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 Economic Development Facilities Refunding 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. Both Various Purpose Bonds are 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 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.

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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
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
Sheriff Rotary Special Revenue Fund
TB Levy 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
State Community Development Special Revenue Fund
Recycling and Litter Prevention Special Revenue Fund

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Victims of Crime Special Revenue Fund
CASA Grant 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 12/31/2016	Additions	Deletions	Principal Outstanding at 12/31/2017	Due Within One Year
<i><u>Governmental Activities</u></i>					
<i><u>General Obligation Bonds</u></i>					
<i>Economic Development Facilities Refunding</i>					
Revenue Bonds 2013 0.55 - 5.05% - \$1,815,000	\$1,415,000	\$0	\$135,000	\$1,280,000	\$140,000
<i>Various Purpose Refunding Bonds</i>					
2014 2.00 - 4.00% - \$4,880,000	4,055,000	0	265,000	3,790,000	270,000
Premium on Various Purpose Bonds	3,516	0	285	3,231	0
<i>Various Purpose Refunding Bonds</i>					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	1,150,000	0	210,000	940,000	220,000
Total General Obligation Bonds	6,623,516	0	610,285	6,013,231	630,000
<i><u>Net Pension Liability</u></i>					
OPERS	25,463,632	8,032,391	0	33,496,023	0
STRS	2,022,011	0	860,158	1,161,853	0
Total Net Pension Liability	27,485,643	8,032,391	860,158	34,657,876	0
<i><u>Other Long-Term Obligations</u></i>					
Capital Leases	405,812	287,708	281,404	412,116	136,719
Compensated Absences	1,825,101	1,073,149	1,013,960	1,884,290	984,631
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	158,809	20,848	97,099	82,558	82,558
Total Other Long-Term Obligations	2,389,722	1,381,705	1,392,463	2,378,964	1,203,908
Total Governmental Activities	\$36,498,881	\$9,414,096	\$2,862,906	\$43,050,071	\$1,833,908

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

SCIOTO COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	General Obligation Bonds	
	Principal	Interest
2018	\$630,000	\$212,606
2019	650,000	194,838
2020	675,000	174,809
2021	485,000	151,747
2022	495,000	135,069
2023-2027	2,340,000	387,761
2028-2029	735,000	43,500
Totals	<u>\$6,010,000</u>	<u>\$1,300,330</u>

The County's total legal debt margin was \$25,417,415 with an unvoted debt margin of \$10,475,939 at December 31, 2017.

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, 2017, is \$14,400,000.

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, 2017, is \$645,000.

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 final payment was made during 2017.

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 balance outstanding as of December 31, 2017, is \$118,920,000.

During 2017, the County issued Health Care Facilities Revenue Refunding and Improvement Bonds, Series 2017, in the aggregate principal amount of \$10,349,535 for the Hill View Retirement Center. The proceeds were used for the acquisition, construction, installation and equipping of facilities and to refund the Adjustable Rate Demand Health Care Facilities Revenue Refunding and Improvement Bonds, Series 2004, issued by Pike County, which were used to renovate the facilities. The balance outstanding as of December 31, 2017 is \$10,169,535.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 17 - INTERFUND ACTIVITY

Interfund balances at December 31, 2017, consist of the following individual fund receivables and payables:

		Receivables				
Payables		General	Public Assistance	Children Services	Nonmajor Governmental Funds	Total
		General	\$0	\$10,542	\$0	\$0
	Public Assistance	0	0	107,930	30,307	138,237
	Nonmajor Governmental Funds	41,747	40,738	0	0	82,485
	Total	\$41,747	\$51,280	\$107,930	\$30,307	\$231,264

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, 2017 were as follows:

		Transfers To				
Transfers From		General	Public Assistance	Motor Vehicle Gas Tax	Nonmajor Governmental Funds	Total
		General	\$0	\$154,215	\$25,000	\$1,390,212
	Public Assistance	0	0	0	217,019	217,019
	Motor Vehicle Gas Tax	0	0	0	221,708	221,708
	Nonmajor Governmental Funds	25,368	0	0	40,000	65,368
	Sewer	0	0	0	15,000	15,000
	Total	\$25,368	\$154,215	\$25,000	\$1,883,939	\$2,088,522

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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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 2017.

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 2017; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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 of a 51 percent 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 2017.

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 \$13,829 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 2017, the County made payments to the CAO in the amount of \$653,077 for the provision of services to the Scioto County Department of Jobs and Family Services.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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 2017, 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 2017.

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 \$239,743 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 six members, which is made up of three Scioto County Commissioners and three Lawrence County Commissioners. 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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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 \$129,578 as of December 31, 2017. 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 66 counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgetary and financing of CORSA is limited to its voting authority and any representative it may have on the board of trustees.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2017 was \$331,149. 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. The Authority received no funds from the County in 2017.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 21 – SIGNIFICANT COMMITMENTS

Contractual Commitments

As of December 31, 2017, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2017
2016 Reappraisal - Tyler Technologies, Inc.	\$815,000	\$812,560	\$2,440
Sheriff 911 System - Frontier	505,721	381,304	124,417
2017 New Construction - Tyler Technologies, Inc.	58,500	45,910	12,590
SSI Software Upgrade - SSI	229,000	22,900	206,100
New Flooring - DHI Construction	20,898	0	20,898
Vern Riffle/Star Roof Replacement - Axis Alliance, LLC	180,137	148,988	31,149
Star Workshop Parking Lot Expansion - Triad Engineering	16,400	11,940	4,460
Vern Riffle School SSA Office Remodel - Crossroads Construction	43,737	24,907	18,830
Mill Road Bridge Replacement - Kokosing Construction	1,130,000	0	1,130,000
Wheelersburg Light Pole-Gallia Pike - Distel Construction	23,385	16,606	6,779
Briarcliff WWTP Elimination - AJR Engineering	93,100	48,500	44,600
New Rosemount Connector - AJR Engineering	6,300	0	6,300
Total	\$3,122,178	\$1,513,615	\$1,608,563

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	\$456,462
Public Assistance	258,682
Motor Vehicle Gas Tax	344,295
Board of Developmental Disabilities	158,550
Children Services	65,339
Nonmajor Governmental Funds	681,523
Total Governmental Funds	1,964,851
Proprietary Funds:	
Sanitary Sewer	395,541
Total	\$2,360,392

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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, 2017, to December 31, 2017, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

NOTE 23 - RELATED PARTY TRANSACTIONS

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of STAR, Inc. In 2017, these contributions were \$227,769.

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 2017, these contributions were \$89,816.

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 during 2016. During 2017, the Scioto County Commissioners provided a Line of Credit to the Scioto County Land Reutilization Corporation in the amount of \$500,000 which was disbursed by the County to the Corporation and repaid by the Corporation prior to December 31, 2017.

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 in the following table:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 24 - FUND BALANCES (Continued)

Fund Balances	General Fund	Public Assistance Fund	Motor Vehicle Gas Tax Fund	Board of Developmental Disabilities Fund	Children Services Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>							
Prepays	\$247,437	\$169,470	\$23,694	\$83,015	\$44,672	\$96,624	\$664,912
Materials and Supplies Inventory	54,337	16,589	505,882	8,328	0	2,719	587,855
Long-term Receivable	157,500	0	0	0	0	0	157,500
Unclaimed Monies	164,498	0	0	0	0	0	164,498
Total Nonspendable	623,772	186,059	529,576	91,343	44,672	99,343	1,574,765
<i>Restricted for</i>							
Human Service Programs	0	1,241,579	0	0	1,882,999	3,183,221	6,307,799
Public Works	0	0	2,454,657	0	0	0	2,454,657
Health Programs	0	0	0	4,083,099	0	204,466	4,287,565
Judicial Programs	0	0	0	0	0	759,535	759,535
Public Safety Programs	0	0	0	0	0	2,474,620	2,474,620
Economic Development and Assistance	0	0	0	0	0	475,123	475,123
Transportation	0	0	0	0	0	180,577	180,577
Capital Improvements	0	0	0	0	0	165,830	165,830
Debt Service	0	0	0	0	0	52,065	52,065
Other Purposes	0	0	0	0	0	1,947,908	1,947,908
Total Restricted	0	1,241,579	2,454,657	4,083,099	1,882,999	9,443,345	19,105,679
<i>Committed to</i>							
Judicial Programs	0	0	0	0	0	327,119	327,119
<i>Assigned to</i>							
Debt Service	0	0	0	0	0	22,891	22,891
Unpaid Obligations	259,474	0	0	0	0	0	259,474
Public Safety Programs	138,395	0	0	0	0	0	138,395
Other Purposes	11,800	0	0	0	0	0	11,800
Total Assigned	409,669	0	0	0	0	22,891	432,560
Unassigned	18,317,556	0	0	0	0	0	18,317,556
Total Fund Balances	\$19,350,997	\$1,427,638	\$2,984,233	\$4,174,442	\$1,927,671	\$9,892,698	\$39,757,679

NOTE 25 – SUBSEQUENT EVENTS

On March 8, 2018, the Board of County Commissioners awarded the bid for the Briarcliff New Pump Station and Force Main, WWTP Elimination Project to Distel Construction, Inc. in the amount of \$459,490.

During April of 2018, the Sanitary Engineer Department entered into a loan agreement for \$346,631, with the Ohio Water Development Authority (OWDA) for Briarcliff WWTP Elimination New Pump Station.

On July 1, 2018, STAR Inc., a discretely presented component unit, became a private provider for Adult Services Programs. The Scioto County Board of DD entered into a contract with STAR Inc. on July 1, 2018 for those services.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS

STAR, INC.

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

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

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

Deposits - Protection of STAR Inc.'s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments are reported at fair value. As of December 31, 2017, STAR Inc. had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Investment Maturity Less Than 1</u>	<u>Moody's Rating</u>	<u>Percentage of Total Investments</u>
Cost:				
Repurchase Agreement	\$1,000,382	\$1,000,382	N/A	N/A
Fair Value - Level One Input:				
Mutual Funds	<u>108,773</u>	<u>108,773</u>	N/A	N/A
Total	<u>\$1,109,155</u>	<u>\$1,109,155</u>		

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, 2017, follows:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Machinery and Equipment	\$67,477
Vehicles	232,693
Less: Accumulated Depreciation	(46,747)
Total Capital Assets (Net)	<u><u>\$253,423</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.

The STAR Inc. 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 STAR Inc.'s recurring fair value measurements as of December 31, 2017. The Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs).

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

Credit Risk – STAR Inc.'s investment policy limits investments to those authorized by State statute.

Concentration of Credit Risk – STAR Inc.'s investment policy places no limit on the amount it may invest in any one issuer.

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>
2018	<u><u>\$3,078</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.

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Deposits - Protection of the Airport's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, 2017, follows:

Land	\$365,737
Construction in Progress	6,450
Land Improvements	1,796,063
Buildings	1,841,607
Machinery and Equipment	175,394
Vehicles	142,950
Less: Accumulated Depreciation	<u>(1,821,446)</u>
Total Capital Assets (Net)	<u><u>\$2,506,755</u></u>

The capital asset balances as of December 31, 2016 were restated \$237,108 to record construction in progress that should have been recorded in 2016.

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, 2017, the carrying amount of the Corporation's deposits was \$152,757. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of December 31, 2017, all deposits were protected by Federal Deposit Insurance Corporation (FDIC) coverage.

Short Term Obligations - The Corporation has lines of credit available through Ohio Housing Finance Agency (OHFA) and the Scioto County Commissioners in the amount of \$200,000 and \$500,000, respectively. These lines of credit carry a zero percent interest rate. Changes in these lines of credit during 2017 were as follows:

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 26 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)

	Principal Outstanding at 12/31/2016	Additions	Deletions	Principal Outstanding at 12/31/2017	Due Within One Year
OHFA Line of Credit	\$0	\$600,000	\$400,000	\$200,000	200,000
Scioto County Line of Credit	0	500,000	500,000	0	0
<i>Total</i>	<u>\$0</u>	<u>\$1,100,000</u>	<u>\$900,000</u>	<u>\$200,000</u>	<u>\$200,000</u>

NOTE 27 - 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	\$1,126,824	\$116,274	\$152,757	\$1,395,855
Materials and Supplies Inventory	7,983	0	0	7,983
Accounts Receivable	218,940	0	0	218,940
Due from Other Governments	0	45,193	47,658	92,851
Other Receivable	0	0	14,200	14,200
Assets Held for Resale	0	0	1,167,434	1,167,434
<u>Capital Assets:</u>				
Land and Construction in Progress	0	372,187	0	372,187
Depreciable Capital Assets, Net	253,423	2,134,568	0	2,387,991
<i>Total Assets</i>	<u>1,607,170</u>	<u>2,668,222</u>	<u>1,382,049</u>	<u>5,657,441</u>
<u>Liabilities:</u>				
Accounts Payable	4,022	11,194	0	15,216
Contracts Payable	0	500	0	500
Accrued Wages Payable	9,741	0	0	9,741
Accrued Liabilities	0	0	13,423	13,423
Due to Grantors	0	0	4,600	4,600
Unearned Revenue	0	0	39,175	39,175
<u>Long Term Liabilities:</u>				
Due Within One Year	3,078	0	200,000	203,078
<i>Total Liabilities</i>	<u>16,841</u>	<u>11,694</u>	<u>257,198</u>	<u>285,733</u>
<u>Net Position:</u>				
Net Investment in Capital Assets	253,423	2,506,755	0	2,760,178
Unrestricted	1,336,906	149,773	1,124,851	2,611,530
<i>Total Net Position</i>	<u>\$1,590,329</u>	<u>\$2,656,528</u>	<u>\$1,124,851</u>	<u>\$5,371,708</u>

SCIOTO COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

NOTE 27 - CONDENSED COMPONENT UNIT STATEMENTS (Continued)

CONDENSED COMPONENT UNIT STATEMENT OF ACTIVITIES

	STAR, Inc.	Scioto County Airport Authority	Scioto County Land Reutilization Corporation	Total
Expenses:	\$1,813,477	\$317,418	\$68,412	\$2,199,307
Program Revenues:				
Charges for Services and Sales	2,181,772	129,859	400	2,312,031
Operating Grants and Contributions	277,769	112,575	1,178,921	1,569,265
Capital Grants and Contributions	0	95,131	0	95,131
Total Program Revenues	2,459,541	337,565	1,179,321	3,976,427
Interest	8,083	0	0	8,083
Miscellaneous	0	97	589	686
Total Revenues	2,467,624	337,662	1,179,910	3,985,196
Change in Net Position	654,147	20,244	1,111,498	1,785,889
<i>Net Position at Beginning of Year - Restated (see Note 26 Scioto County Airport Authority)</i>	936,182	2,636,284	13,353	3,585,819
<i>Net Position at End of Year</i>	\$1,590,329	\$2,656,528	\$1,124,851	\$5,371,708

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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 Four Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's Proportion of the Net Pension Liability	0.15310712%	0.15238630%	0.15310760%	0.15310760%
County's Proportionate Share of the Net Pension Liability	\$34,768,024	\$26,395,228	\$18,466,488	\$18,049,391
County's Covered Payroll	\$19,884,376	\$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	174.85%	142.88%	101.50%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	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 Five Fiscal Years (1)

	2017	2016	2015	2014	2013
County's Proportion of the Net Pension Liability	0.00489094%	0.00604072%	0.00591745%	0.00652135%	0.00652135%
County's Proportionate Share of the Net Pension Liability	\$1,161,853	\$2,022,011	\$1,635,410	\$1,586,219	\$1,889,493
County's Covered Payroll	\$537,700	\$635,600	\$617,386	\$717,554	\$757,315
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.08%	318.13%	264.89%	221.06%	249.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	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 Five Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$2,606,685	\$2,465,706	\$2,288,853	\$2,256,548	\$2,401,615
Contributions in Relation to the Contractually Required Contribution	<u>(2,606,685)</u>	<u>(2,465,706)</u>	<u>(2,288,853)</u>	<u>(2,256,548)</u>	<u>(2,401,615)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$19,458,971	\$19,884,376	\$18,474,210	\$18,192,968	\$17,879,362
Contributions as a Percentage of Covered Payroll	13.40%	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$82,322	\$83,684	\$85,682	\$91,873
Contributions in Relation to the Contractually Required Contribution	<u>(82,322)</u>	<u>(83,684)</u>	<u>(85,682)</u>	<u>(91,873)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County Covered Payroll	\$588,014	\$597,743	\$612,014	\$681,888
Contributions as a Percentage of Covered Payroll:	14.00%	14.00%	14.00%	13.47%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$89,512	\$90,794	\$86,727	\$89,074	\$80,971	\$80,557
<u>(89,512)</u>	<u>(90,794)</u>	<u>(86,727)</u>	<u>(89,074)</u>	<u>(80,971)</u>	<u>(80,557)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$688,554	\$698,415	\$667,131	\$685,185	\$622,854	\$619,669
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SCIOTO COUNTY

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates 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.

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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>				
<i>Supplemental Nutrition Assistance Program Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5576/G-1819-11-5802	N/A	\$512,502
<i>Passed through Ohio Department of Natural Resources</i>				
<i>Forest Service Schools and Roads Cluster:</i>				
Schools and Roads - Grants to States	10.665	N/A	N/A	3,020
<i>Direct from the U.S. Department of Agriculture</i>				
ARRA-Water and Waste Disposal Systems for Rural Communities - Loan	10.781	N/A	N/A	<u>70,704</u>
Total U.S. Department of Agriculture				586,226
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program	14.228			
Community Development Program		B-F-15-1CP-1	N/A	466
Community Development Program		B-F-16-1CP-1	N/A	169,600
Residential Public Infrastructure Program		B-W-16-1CP-1	N/A	<u>197,663</u>
Total Community Development Block Grants/State's Program				<u>367,729</u>
Total U.S. Department of Housing and Urban Development				367,729
U.S. DEPARTMENT OF THE INTERIOR				
<i>Direct Program</i>				
Payments in Lieu of Taxes	15.226	N/A	N/A	13,360
<i>Passed through Ohio Department of Natural Resources</i>				
National Forest Acquired Lands	15.438	N/A	N/A	<u>75,104</u>
Total U.S. Department of the Interior				88,464
U.S. DEPARTMENT OF JUSTICE				
<i>Direct from the United States Marshals Service</i>				
Equitable Sharing Program	16.922	N/A	N/A	70,146
<i>Passed through Ohio Attorney General Crime Victims Section</i>				
Crime Victim Assistance	16.575	2017-VOCA-43559550 2018-VOCA-111256030	N/A N/A	20,398 <u>3,841</u> 24,239
Total Crime Victim Assistance				94,385
Total U.S. Department of Justice				94,385

(Continued)

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 TRANSPORTATION				
<i>Direct from the United States Federal Aviation Administration</i>				
Airport Improvement Program	20.106	3-39-0069-018-2015 3-39-0069-019-2016	N/A N/A	28,508 <u>249,721</u> 278,229
Total Airport Improvement Program				278,229
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster Highway Planning and Construction	20.205	PID95352 PID93983 PID104144 PID103460	N/A N/A N/A N/A	307,162 139,561 29,312 <u>11,632</u> 487,667
Total Highway Planning and Construction				487,667
Formula Grants for Rural Areas	20.509	RPTF-4119-050-171 RPTM-0119-050-171	N/A N/A	360,000 <u>38,996</u> 398,996
Total Formula Grants for Rural Areas				398,996
Transit Services Program Cluster Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	SPEC-0073-061-032 SPEC-0073-061-033 SPEC-0073-061-034	N/A N/A N/A	47,333 47,333 <u>47,333</u> 141,999
Total Enhanced Mobility of Seniors and Individuals with Disabilities				141,999
Federal Transit Cluster Bus and Bus Facilities Formula Program	20.526	BABF-0119-052-17	N/A	<u>52,337</u>
Total Passed Through Ohio Department of Transportation				1,080,999
<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-2017-73-00-00-00551-00 STEP-2018-Scioto Co. Sheriff's Offi-00052	N/A N/A	11,683 <u>2,171</u> 13,854
Total State and Community Highway Safety				13,854
National Priority Safety Programs	20.616	IDEP-2017-73-00-00-00415-00	N/A	<u>13,550</u>
Total Highway Safety Cluster				27,404
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	IDEP-2018-Scioto Co. Sheriff's Offi-00052	N/A	<u>6,026</u>
Total U.S. Department of Transportation				1,392,658
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-2017	N/A	<u>68,447</u>
Total United States Department of Education				68,447

(Continued)

SCIOTO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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/G-1819-11-5803	N/A	33,038
Child Support Enforcement	93.563	G-1617-11-5576/G-1819-11-5802	N/A	831,717
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5577/G-1819-11-5803	N/A	25,528
Foster Care Title IV-E	93.658	G-1617-11-5577/G-1819-11-5803	N/A	1,183,147
Adoption Assistance	93.659	G-1617-11-5577/G-1819-11-5803	N/A	116,575
Chafee Foster Care Independence Program	93.674	G-1617-11-5577/G-1819-11-5803	N/A	48,237
Social Services Block Grant	93.667	G-1617-11-5576/G-1819-11-5802	563,410	979,615
		G-1617-11-5576/G-1819-11-5802/G-1617-11-5577/G-1819-11-5803	589,776	2,523,388
TANF Cluster: Temporary Assistance for Needy Families (TANF)	93.558	G-1617-11-5576/G-1819-11-5802	N/A	173,156
CCDF Cluster: Child Care and Development Block Grant	93.575	G-1617-11-5576/G-1819-11-5802	N/A	31,869
Children's Health Insurance Program	93.767	G-1617-11-5576/G-1819-11-5802/G-1819-11-5803	N/A	1,837,919
Medicaid Cluster: Medical Assistance Program	93.778	5803	N/A	1,837,919
Total Passed through the Ohio Department of Job and Family Services				7,784,189
<i>Passed through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	N/A	N/A	46,796
Medicaid Cluster: Medical Assistance Program - Medicaid Administrative Claiming (MAC)	93.778	N/A	N/A	262,418
Total Passed through the Ohio Department of Developmental Disabilities				309,214
Total U.S. Department of Health and Human Services				8,093,403
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	G16OH0001A	N/A	12,002
<i>Passed through the City of Independence, Ohio</i>				
High Intensity Drug Trafficking Areas Program	95.001	G17OH0003A	N/A	8,119
Total High Intensity Drug Trafficking Areas Program				20,121
Total U.S. Executive Office of the President				20,121
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through the Ohio Emergency Management Agency</i>				
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01	N/A	26,840
		EMC-2017-EP-00006-S01	N/A	9,349
Total Emergency Management Performance Grants				36,189
Total U.S. Department of Homeland Security				36,189
Total Expenditures of Federal Awards				\$10,747,622

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, 2017**

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, 2017. 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 93.558 includes \$19,478 provided by the Scioto County Department of Job and Family Services to the Scioto County Children Services Board in 2017. This amount was expended by the Scioto County Children Services Board in 2017 and reimbursed by the Scioto County Department of Job and Family Services subgrant in 2017.

Federal expenditures for Federal CFDA Number 93.558 also include \$19,839 for amounts expended by the Scioto County Children Services Board in 2017 for which the Board was reimbursed by the Scioto County Department of Job and Family Services subgrant in 2018. The amount is not included in the Passed through to Subrecipients column for 2017 as it was not expended by the Scioto County Department of Job and Family Services until 2018.

The amount passed through to subrecipients for Federal CFDA Number 93.667 includes \$478,262 provided by the Scioto County Department of Job and Family Services to the Scioto County Children Services Board in 2017. Of this amount, \$93,868 was expended by the Scioto County Children Services Board in 2016 and reimbursed by the Scioto County Department of Job and Family Services subgrant in 2017.

Federal expenditures for Federal CFDA Number 93.667 also include \$88,092 for amounts expended by the Scioto County Children Services Board in 2017 for which the Board was reimbursed by the Scioto County Department of Job and Family Services subgrant in 2018. The amount is not included in the Passed through to Subrecipients column for 2017 as it was not expended by the Scioto County Department of Job and Family Services until 2018.

NOTE D - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT 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, 2017 is \$15,336.

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, 2017 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.

As of August 28, 2014 this award has been terminated. In 2017, the County provided information to EDA in order to determine the federal share of the program to be repaid to EDA as a result of the termination. On August 25, 2017, EDA issued a Final Notification of Termination for Noncompliance. The letter included a demand for the repayment of the EDA's federal share of the program in the amount of \$150,379. Payment was issued by the County on September 28, 2017, with \$96,233 being paid from the remaining cash balance in the Revolving Loan Fund and the remaining \$54,146 being paid from the County General Fund. Per correspondence with EDA, any remaining principal and interest payments received on the outstanding loans after the program termination will be receipted into the County General Fund.

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 \$1,283,100 as of December 31, 2017.

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 and the remaining proceeds were expended in 2017. 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 \$14,433,490 as of December 31, 2017.

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 2012 and 2013 Cost Reports owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA # 93.778) in the amount of \$3,736 and \$1,544, respectively. The Cost Report Settlement liability was for the 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 invoiced 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, the aggregate discretely presented component units each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2017, 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, 2018 wherein we noted the County restated January 1, 2017 Governmental Activity Net Position to reflect a correction of an error in capital asset values.

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.

Dave Yost
Auditor of State

Columbus, Ohio

September 26, 2018



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 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 Scioto County's major federal programs for the year ended December 31, 2017. 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, 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, 2017.

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, 2018

SCIOTO COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

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):	Formula Grants for Rural Areas – CFDA #20.509 TANF Cluster: Temporary Assistance for Needy Families (TANF) – CFDA #93.558 Child Support Enforcement – CFDA #93.563
(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?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.