



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SCIOTO COUNTY
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Scioto County, Ohio (the County), as of and for the year ended December 31, 2001. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Scioto County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2001, the County adopted Governmental Accounting Statement No. 33 and No. 36.

As discussed in Note 3, during 2001, the County reclassified the Internal Service Funds and Expendable Trust Funds to Special Revenue Funds.

As disclosed in Note 26, during 2001, the County has reported the Airport Authority as a component unit.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the County, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, cursive script.

Jim Petro
Auditor of State

August 13, 2002

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SCIOTO COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups, and Discretely Presented Component Unit
 December 31, 2001

	Governmental Fund Types				Proprietary Fund Type
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Enterprise</i>
<u>Assets and Other Debits</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$634,945	\$11,872,573	\$168,035	\$712,781	\$363,827
Cash and Cash Equivalents in Segregated Accounts	2,914	8,131	0	0	109,371
Receivables:					
Taxes	2,903,858	2,605,435	0	0	0
Accounts	3,900	35,394	0	0	342,285
Special Assessments	0	0	0	0	0
Interfund	28,566	0	0	0	0
Accrued Interest	407	0	0	0	0
Loans	0	1,338,005	0	0	0
Due from Other Funds	0	86,878	0	0	0
Due from Other Governments	962,174	5,421,105	0	1,281,697	1,505
Deferred Charges	0	0	0	0	86,866
Materials and Supplies Inventory	6,311	94,187	0	0	2,288
Prepaid Items	76,427	71,642	0	0	8,275
Restricted Assets:					
Cash with Trustee	0	0	290,263	0	137,850
Cash and Cash Equivalents in Segregated Accounts	2,419	0	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0	11,939,914
<u>Other Debits</u>					
Investment in Joint Venture	0	0	0	0	0
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	<u>\$4,621,921</u>	<u>\$21,533,350</u>	<u>\$458,298</u>	<u>\$1,994,478</u>	<u>\$12,992,181</u>

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Units		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		STAR Inc.	Airport Authority	
Agency						
\$4,038,446	\$0	\$0	\$17,790,607	\$0	\$0	\$17,790,607
357,234	0	0	477,650	230,485	57,070	765,205
26,601,080	0	0	32,110,373	0	0	32,110,373
252,331	0	0	633,910	17,965	1,555	653,430
451,516	0	0	451,516	0	0	451,516
0	0	0	28,566	0	0	28,566
0	0	0	407	0	0	407
0	0	0	1,338,005	0	0	1,338,005
0	0	0	86,878	0	0	86,878
8,079,515	0	0	15,745,996	0	80,098	15,826,094
0	0	0	86,866	0	0	86,866
0	0	0	102,786	5,349	0	108,135
0	0	0	156,344	0	0	156,344
0	0	0	428,113	0	0	428,113
0	0	0	2,419	0	0	2,419
0	32,720,235	0	44,660,149	9,617	0	44,669,766
0	12,750	0	12,750	0	0	12,750
0	0	168,035	168,035	0	0	168,035
0	0	10,639,582	10,639,582	0	0	10,639,582
<u>\$39,780,122</u>	<u>\$32,732,985</u>	<u>\$10,807,617</u>	<u>\$124,920,952</u>	<u>\$263,416</u>	<u>\$138,723</u>	<u>\$125,323,091</u>

(continued)

SCIOTO COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups, and Discretely Presented Component Unit
 December 31, 2001
 (Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Liabilities, Fund Equity and Other Credits</u>					
<u>Liabilities</u>					
Accounts Payable	\$39,914	\$305,309	\$0	\$0	\$3,217
Contracts Payable	226,025	49,816	0	461,716	35,968
Accrued Wages and Benefits	32,390	127,983	0	22,598	1,791
Compensated Absences Payable	19,251	74,484	0	0	67,199
Retainage Payable	2,419	448	0	94,685	0
Interfund Payable	0	28,566	0	0	0
Due to Other Funds	0	86,878	0	0	0
Due to Other Governments	144,928	254,200	0	14,414	7,849
Deferred Revenue	1,981,382	5,325,679	0	393,675	0
Deposits Held and Due to Others	0	0	0	0	0
Accrued Interest Payable	3,178	0	0	0	126,535
Notes Payable	597,000	0	0	0	0
Capital Leases Payable	0	0	0	0	0
Undistributed Assets	0	0	0	0	0
Loans Payable	0	0	0	0	0
Farmer's Home Administration Bond Payable	0	0	0	0	3,325,636
General Obligation Bonds Payable	0	0	0	0	3,186,117
Mortgage Revenue Bonds Payable	0	0	0	0	270,000
Total Liabilities	<u>3,046,487</u>	<u>6,253,363</u>	<u>0</u>	<u>987,088</u>	<u>7,024,312</u>
<u>Fund Equity and Other Credits</u>					
Investment in General Fixed Assets	0	0	0	0	0
Investment in Joint Venture Net Resources	0	0	0	0	0
Contributed Capital	0	0	0	0	3,772,531
Retained Earnings:					
Reserved:					
Reserved for Future Debt Service	0	0	0	0	137,850
Unreserved	0	0	0	0	2,057,488
Fund Balance:					
Reserved for Encumbrances	80,141	624,751	0	159,204	0
Reserved for Inventory	6,311	94,187	0	0	0
Reserved for Loans Receivable	0	1,338,005	0	0	0
Unreserved:					
Undesignated	1,488,982	13,223,044	458,298	848,186	0
Total Fund Equity and Other Credits	<u>1,575,434</u>	<u>15,279,987</u>	<u>458,298</u>	<u>1,007,390</u>	<u>5,967,869</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,621,921</u>	<u>\$21,533,350</u>	<u>\$458,298</u>	<u>\$1,994,478</u>	<u>\$12,992,181</u>

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Units		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		STAR Inc.	Airport Authority	
Agency						
\$0	\$0	\$0	\$348,440	\$3,282	\$38	\$351,760
0	0	0	773,525	0	80,098	853,623
0	0	0	184,762	6,763	0	191,525
0	0	1,711,640	1,872,574	723	0	1,873,297
0	0	0	97,552	0	0	97,552
0	0	0	28,566	0	0	28,566
0	0	0	86,878	0	0	86,878
32,025,913	0	0	32,447,304	0	0	32,447,304
0	0	0	7,700,736	0	0	7,700,736
5,901,015	0	0	5,901,015	0	0	5,901,015
0	0	0	129,713	0	0	129,713
0	0	0	597,000	0	0	597,000
0	0	232,365	232,365	0	0	232,365
1,853,194	0	0	1,853,194	0	0	1,853,194
0	0	78,612	78,612	0	0	78,612
0	0	0	3,325,636	0	0	3,325,636
0	0	8,785,000	11,971,117	0	0	11,971,117
0	0	0	270,000	0	0	270,000
39,780,122	0	10,807,617	67,898,989	10,768	80,136	67,989,893
0	32,720,235	0	32,720,235	0	0	32,720,235
0	12,750	0	12,750	0	0	12,750
0	0	0	3,772,531	0	0	3,772,531
0	0	0	137,850	0	0	137,850
0	0	0	2,057,488	252,648	58,587	2,368,723
0	0	0	864,096	0	0	864,096
0	0	0	100,498	0	0	100,498
0	0	0	1,338,005	0	0	1,338,005
0	0	0	16,018,510	0	0	16,018,510
0	32,732,985	0	57,021,963	252,648	58,587	57,333,198
39,780,122	32,732,985	10,807,617	124,920,952	263,416	138,723	125,323,091

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SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2001

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,315,638	\$2,728,393	\$0	\$0	\$4,044,031
Sales Tax	7,113,715	0	0	0	7,113,715
Charges for Services	1,661,738	2,698,541	0	0	4,360,279
Licenses and Permits	8,072	33,288	0	0	41,360
Fines and Forfeitures	397,990	594,895	0	0	992,885
Intergovernmental	1,205,299	38,259,461	0	4,888,507	44,353,267
Interest	500,272	50,682	7,655	0	558,609
Other	279,668	533,541	366,072	37,084	1,216,365
Total Revenues	12,482,392	44,898,801	373,727	4,925,591	62,680,511
<u>Expenditures:</u>					
Current:					
General Government					
Legislative and Executive	2,779,826	417,574	0	0	3,197,400
Judicial	2,084,285	235,402	0	0	2,319,687
Public Safety	3,032,582	2,677,400	0	0	5,709,982
Public Works	33,130	3,337,513	0	0	3,370,643
Health	141,519	5,902,643	0	0	6,044,162
Human Services	269,895	23,369,388	0	0	23,639,283
Conservation and Recreation	108,269	60,611	0	0	168,880
Economic Development and Assistance	61,571	761,592	0	0	823,163
Transportation	0	634,799	0	0	634,799
Other	1,737,095	0	0	0	1,737,095
Capital Outlay	242,334	2,536,903	0	4,137,785	6,917,022
Debt Service:					
Principal Retirement	150,256	77,466	390,000	0	617,722
Interest and Fiscal Charges	47,336	16,774	542,778	0	606,888
Total Expenditures	10,688,098	40,028,065	932,778	4,137,785	55,786,726
Excess of Revenues Over (Under) Expenditures	1,794,294	4,870,736	(559,051)	787,806	6,893,785
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	138,362	43,160	0	0	181,522
Proceeds of Bonds	55,000	0	0	0	55,000
Operating Transfers - In	103,399	854,692	479,701	320,042	1,757,834
Operating Transfers - Out	(1,400,888)	(198,219)	0	(158,727)	(1,757,834)
Total Other Financing Sources (Uses)	(1,104,127)	699,633	479,701	161,315	236,522
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	690,167	5,570,369	(79,350)	949,121	7,130,307
Fund Balances at Beginning of Year - Restated (Note 3)	932,086	9,660,611	368,222	227,695	11,188,614
Increase (Decrease) in Inventory	(46,819)	49,007	0	0	2,188
Residual Equity Transfers - In	0	0	169,426	0	169,426
Residual Equity Transfers - Out	0	0	0	(169,426)	(169,426)
Fund Balances at End of Year	\$1,575,434	\$15,279,987	\$458,298	\$1,007,390	\$18,321,109

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended Decemebr 31, 2001

	General Fund			Special Revenue Funds		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<u>Revenues:</u>						
Property Taxes	\$1,471,000	\$1,315,638	(\$155,362)	\$2,916,458	\$2,728,393	(\$188,065)
Sales Tax	6,200,000	6,473,088	273,088	0	0	0
Charges for Services	1,504,900	1,578,648	73,748	2,339,526	2,534,925	195,399
Licenses and Permits	6,000	7,974	1,974	36,600	33,288	(3,312)
Fines and Forfeitures	341,000	394,348	53,348	140,894	588,695	447,801
Intergovernmental	1,200,000	1,399,539	199,539	34,474,208	36,020,176	1,545,968
Interest	750,000	570,502	(179,498)	95,890	55,756	(40,134)
Other	167,320	248,135	80,815	759,248	753,533	(5,715)
Total Revenues	11,640,220	11,987,872	347,652	40,762,824	42,714,766	1,951,942
<u>Expenditures:</u>						
Current:						
General Government						
Legislative and Executive	3,350,836	2,941,920	408,916	542,535	472,105	70,430
Judicial	2,034,350	2,035,363	(1,013)	278,528	239,568	38,960
Public Safety	2,723,691	3,085,269	(361,578)	3,064,041	2,729,370	334,671
Public Works	50,152	32,100	18,052	4,029,725	3,559,002	470,723
Health	73,450	72,956	494	6,097,980	6,001,918	96,062
Human Services	289,815	285,715	4,100	27,798,782	24,668,018	3,130,764
Conservation and Recreation	76,883	75,462	1,421	62,104	61,952	152
Economic Development and Assistance	77,986	60,165	17,821	1,029,670	804,773	224,897
Transportation	0	0	0	668,539	664,922	3,617
Miscellaneous	1,997,818	1,742,154	255,664	0	0	0
Capital Outlay	103,972	103,972	0	2,668,151	2,499,275	168,876
Debt Service:						
Principal Retirement	1,195,599	1,194,000	1,599	102,726	102,726	0
Interest and Fiscal Charges	43,040	43,040	0	8,559	7,436	1,123
Total Expenditures	12,017,592	11,672,116	345,476	46,351,340	41,811,065	4,540,275
Excess of Revenues Over (Under) Expenditures	(377,372)	315,756	693,128	(5,588,516)	903,701	6,492,217
<u>Other Financing Sources (Uses):</u>						
Proceeds of Bonds	55,000	55,000	0	0	0	0
Proceeds of Notes	1,097,000	1,097,000	0	0	0	0
Advances-In	0	48,117	48,117	0	93,973	93,973
Advances-Out	0	(23,773)	(23,773)	0	(118,317)	(118,317)
Operating Transfers - In	338,402	103,399	(235,003)	1,407,803	845,068	(562,735)
Operating Transfers - Out	(1,288,993)	(1,278,890)	10,103	(199,935)	(198,219)	1,716
Residual Equity Transfers - In	0	0	0	0	0	0
Residual Equity Transfers - Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	201,409	853	(200,556)	1,207,868	622,505	(585,363)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(175,963)	316,609	492,572	(4,380,648)	1,526,206	5,906,854
Fund Balances at Beginning of Year	202,550	202,550	0	7,796,651	7,796,651	0
Prior Year Encumbrances Appropriated	0	0	0	998,111	998,111	0
Fund Balances (Deficit) at End of Year	\$26,587	\$519,159	\$492,572	\$4,414,114	\$10,320,968	\$5,906,854

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$0	\$0	\$0	\$0	\$0	\$0	\$4,387,458	\$4,044,031	(\$343,427)
0	0	0	0	0	0	6,200,000	6,473,088	273,088
0	0	0	0	0	0	3,844,426	4,113,573	269,147
0	0	0	0	0	0	42,600	41,262	(1,338)
0	0	0	0	0	0	481,894	983,043	501,149
0	0	0	7,563,461	4,412,695	(3,150,766)	43,237,669	41,832,410	(1,405,259)
0	0	0	0	0	0	845,890	626,258	(219,632)
336,012	366,072	30,060	0	38,087	38,087	1,262,580	1,405,827	143,247
336,012	366,072	30,060	7,563,461	4,450,782	(3,112,679)	60,302,517	59,519,492	(783,025)
0	0	0	0	0	0	3,893,371	3,414,025	479,346
0	0	0	0	0	0	2,312,878	2,274,931	37,947
0	0	0	0	0	0	5,787,732	5,814,639	(26,907)
0	0	0	0	0	0	4,079,877	3,591,102	488,775
0	0	0	0	0	0	6,171,430	6,074,874	96,556
0	0	0	0	0	0	28,088,597	24,953,733	3,134,864
0	0	0	0	0	0	138,987	137,414	1,573
0	0	0	0	0	0	1,107,656	864,938	242,718
0	0	0	0	0	0	668,539	664,922	3,617
0	0	0	0	0	0	1,997,818	1,742,154	255,664
0	0	0	5,225,872	4,621,109	604,763	7,997,995	7,224,356	773,639
390,000	390,000	0	0	0	0	1,688,325	1,686,726	1,599
573,085	542,778	30,307	0	0	0	624,684	593,254	31,430
963,085	932,778	30,307	5,225,872	4,621,109	604,763	64,557,889	59,037,068	5,520,821
(627,073)	(566,706)	60,367	2,337,589	(170,327)	(2,507,916)	(4,255,372)	482,424	4,737,796
0	0	0	0	0	0	55,000	55,000	0
0	0	0	0	0	0	1,097,000	1,097,000	0
0	0	0	0	0	0	0	142,090	142,090
0	0	0	0	0	0	0	(142,090)	(142,090)
591,318	479,701	(111,617)	0	169,529	169,529	2,337,523	1,597,697	(739,826)
0	0	0	(18,727)	(158,727)	(140,000)	(1,507,655)	(1,635,836)	(128,181)
0	169,426	169,426	0	0	0	0	169,426	169,426
0	0	0	0	(169,426)	(169,426)	0	(169,426)	(169,426)
591,318	649,127	57,809	(18,727)	(158,624)	(139,897)	1,981,868	1,113,861	(868,007)
(35,755)	82,421	118,176	2,318,862	(328,951)	(2,647,813)	(2,273,504)	1,596,285	3,869,789
85,614	85,614	0	848,241	848,241	0	8,933,056	8,933,056	0
0	0	0	22,627	22,627	0	1,020,738	1,020,738	0
\$49,859	\$168,035	\$118,176	\$3,189,730	\$541,917	(\$2,647,813)	\$7,680,290	\$11,550,079	\$3,869,789

SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings
 Proprietary Fund Type and Discretely Presented Component Unit
 For the Year Ended December 31, 2001

	Proprietary Fund Type	Component Units		Totals (Memorandum Only) Reporting Entity
	<i>Enterprise</i>	<i>STAR Inc.</i>	Airport Authority	
<u>Operating Revenues:</u>				
Charges for Services	\$1,980,567	\$348,701	\$54,050	\$2,383,318
Rental Income	0	0	15,428	15,428
Other Operating Revenues	7,521	75,250	43,149	125,920
Total Operating Revenues	<u>1,988,088</u>	<u>423,951</u>	<u>112,627</u>	<u>2,524,666</u>
<u>Operating Expenses:</u>				
Personal Services	522,904	288,878	0	811,782
Fringe Benefits	172,451	4,543	0	176,994
Contractual Services	377,525	24,902	2,359	404,786
Materials and Supplies	250,751	10,663	24,200	285,614
Depreciation	393,148	4,682	0	397,830
Other	5,429	74,713	45,571	125,713
Total Operating Expenses	<u>1,722,208</u>	<u>408,381</u>	<u>72,130</u>	<u>2,202,719</u>
Operating Income	<u>265,880</u>	<u>15,570</u>	<u>40,497</u>	<u>321,947</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	28,108	3,082	402	31,592
Principle Retirement	0	0	(17,000)	(17,000)
Interest and Fiscal Charges	(347,758)	0	(14,928)	(362,686)
Capital Outlay	0	0	(307,445)	(307,445)
Operating Grants	273,914	0	305,959	579,873
Total Non-Operating Revenues (Expenses)	<u>(45,736)</u>	<u>3,082</u>	<u>(33,012)</u>	<u>(75,666)</u>
Net Income	220,144	18,652	7,485	246,281
Retained Earnings At Beginning of Year - Restated (Note 3)	<u>1,975,194</u>	<u>233,996</u>	<u>51,102</u>	<u>2,260,292</u>
Retained Earnings At End of Year	<u>\$2,195,338</u>	<u>\$252,648</u>	<u>\$58,587</u>	<u>\$2,506,573</u>

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	Enterprise		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<u>Revenues:</u>			
Charges for Services	\$1,859,631	\$1,888,260	\$28,629
Proceeds of Bonds	0	347,940	347,940
Interest	13,026	23,592	10,566
Federal and State Grants	136,992	274,857	137,865
Other Operating Revenues	0	7,521	7,521
Total Revenues	2,009,649	2,542,170	532,521
<u>Expenses:</u>			
Personal Services	493,920	492,515	1,405
Fringe Benefits	84,141	177,451	(93,310)
Contractual Services	1,041,806	1,016,270	25,536
Materials and Supplies	387,781	277,469	110,312
Capital Outlay	46,201	44,979	1,222
Debt Service:			
Principal Retirement	526,627	526,627	0
Interest and Fiscal Charges	331,606	331,509	97
Total Expenses	2,912,082	2,866,820	45,262
Excess of Revenues Over (Under) Expenses	(902,433)	(324,650)	577,783
Operating Transfers - In	1,191,180	0	(1,191,180)
Operating Transfers - Out	(2,085)	0	2,085
Excess of Revenues Over (Under) Expenses and Operating Transfers	286,662	(324,650)	(611,312)
Fund Equity Beginning of Year	556,566	556,566	0
Prior Year Encumbrances Appropriated	91,558	91,558	0
Fund Equity at End of Year	\$934,786	\$323,474	(\$611,312)

See Accompanying Notes to the General Purpose Financial Statements

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SCIOTO COUNTY, OHIO
 Combined Statement of Cash Flows
 Proprietary Fund Type and Discretely Presented Component Unit
 For the Year Ended December 31, 2001

	Proprietary Fund Type	Component Units		Totals (Memorandum Only)
		STAR Inc.	Airport Authority	Reporting Entity
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Charges for Services	\$1,888,260	\$358,430	\$53,386	\$2,300,076
Cash Received from Rental Income	0	0	14,546	14,546
Cash Received from Other Operating Sources	7,521	75,250	43,149	125,920
Cash Payments to Suppliers for Goods and Services	(670,696)	(36,290)	(29,261)	(736,247)
Cash Payments for Other Operating Expenses	0	(72,030)	(42,830)	(114,860)
Cash Payments to Employees for Services	(664,966)	(287,670)	0	(952,636)
Net Cash Provided by Operating Activities	560,119	37,690	38,990	636,799
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	274,857	20,000	305,949	600,806
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds of Bonds	347,940	0	0	347,940
Aquisition of Capital Assets	(633,820)	(4,475)	(307,445)	(945,740)
Principal paid on Bonds and Notes	(526,627)	0	(17,000)	(543,627)
Interest paid on Bonds and Notes	(318,253)	0	(14,928)	(333,181)
Net Cash Used for Capital and Related Financing Activities	(1,130,760)	(4,475)	(339,373)	(1,474,608)
<u>Cash Flows from Investing Activities:</u>				
Interest Income	23,592	3,082	402	27,076
Net Increase (Decrease) in Cash and Cash Equivalents	(272,192)	56,297	5,968	(209,927)
Cash and Cash Equivalents at Beginning of Year	883,240	174,188	51,102	1,108,530
Cash and Cash Equivalents at End of Year	\$611,048	\$230,485	\$57,070	\$898,603
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income	\$265,880	\$15,570	\$40,497	\$321,947
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>				
Depreciation	393,148	4,682	0	397,830
<u>Changes in Assets and Liabilities:</u>				
Decrease (Increase) in Accounts Receivable	3,815	9,729	(1,545)	11,999
Decrease (Increase) in Due From Other Governments	143,379	0	(80,098)	63,281
Increase in Prepaid Items	(8,275)	0	0	(8,275)
Increase in Special Assessments Receivable	(27,778)	0	0	(27,778)
Decrease in Materials and Supplies Inventory	5,394	332	0	5,726
Increase (Decrease) in Accounts Payable	(21,032)	1,626	38	(19,368)
Increase (Decrease) in Contracts Payable	(207,661)	0	80,098	(127,563)
Increase in Compensated Absences Payable	20,749	723	0	21,472
Increase in Intergovernmental Payable	7,849	0	0	7,849
Increase in Accrued Wages	1,791	5,028	0	6,819
Decrease in Retainage Payable	(17,140)	0	0	(17,140)
Total Adjustments	294,239	22,120	(1,507)	314,852
Net Cash Provided by Operating Activities	\$560,119	\$37,690	\$38,990	\$636,799

See Accompanying Notes to the General Purpose Financial Statements

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SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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, 2 Common Pleas Court Judges, a Probate/Juvenile and Domestic Relations Court Judge, and 2 Municipal County Court Judges.

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

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Scioto County, this includes the Scioto County Board of Mental Retardation and 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 includes organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or levying of its taxes. The following activities have been included in the County's General Purpose Financial Statements:

Scioto County Litter Control and Recycling
Scioto County Planning Commission
Access Scioto County
Scioto County Juvenile Home

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

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

The County is associated with certain organizations which are defined as Jointly Governed Organizations, a Joint Venture, a Risk Sharing Pool, a Group Purchasing Pool, and Related Organizations. These organizations are presented in Notes 20, 21, and 22 to the General Purpose Financial Statements. These organizations are:

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Service Board
Ohio Valley Resource Conservation and Development Area, Inc.
Workforce Advisory Policy Board
Star Justice Center
Ohio Valley Regional Development Commission
Private Industrial Council
Scioto County Community Action Organization
Southern Ohio Development Initiative
Portsmouth Metropolitan Housing Authority
Joint Solid Waste District
County Risk Sharing Authority (CORSA)
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program
Southern Ohio Port Authority

Discretely Presented Component Units

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

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

Star, Inc.

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

The Scioto County Board of MR/DD 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 fiscal year ending December 31. Separately issued financial statements can be obtained from STAR, Inc., located at 2625 Gallia Street, Portsmouth, Ohio 45662.

Scioto County Airport Authority

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, leasing of equipment and rental space. Grants are applied for in the airport authority's name. The County provides payroll, fringe benefits and some utilities. The County is directly responsible for the debt and owns all land and airport hangars. Financial statements are audited and issued as part of Scioto County and are not obtainable separately.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types: Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - The general fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type: Proprietary funds are used to account for the County's ongoing organizations and activities which are similar to those often found in the private sector. The following is the County's proprietary fund type:

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user fees or charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control or accountability.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESETATION (Continued)

Fiduciary Fund Type: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The County's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups: To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the County that are not a specific liability of the proprietary fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies the Financial Accounting Standards Board's Statements and Interpretations issued prior to November 30, 1989, to its proprietary activities unless those pronouncements conflict with GASB pronouncements. The more significant of the County's accounting policies are described below.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. 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 sixty 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, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) On an accrual basis, revenue from permissive sales tax is recognized in the period in which the revenue is earned. 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: sales tax (See Note 8), accounts, interest, federal and state subsidies and grants and state-levied locally shared taxes.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$38,139 from the general fund to an agency fund.

Advances-in and Advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations: A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and functions within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Budgeted Level of Expenditures: Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to fund, department and function level (i.e., General Fund - Commissioners).

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

Cash and Cash Equivalents

Cash balances of the County's funds, except cash held by a trustee and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The County utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Restricted Assets Cash with Trustee".

During fiscal year 2001, investments were limited to repurchase agreements and certificates of deposit which are reported at cost.

Interest is distributed to the General Fund, Special Revenue Funds, and the Enterprise Fund. Interest earned during 2001 amounted to \$500,272 for the County General Fund, which includes \$492,034 assigned from other County funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents.

Inventory of Supplies

Inventories of governmental funds are stated at cost while inventory of the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise fund when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items by 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.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets are those limited for retainage payments on construction projects and future debt payments. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses.

Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables".

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers.

Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Fixed Assets and Depreciation

General Fixed Assets: General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows the policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County (i.e. roads, bridges, etc.); ornamental artifacts; and assets with a cost of less than \$5,000. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

Enterprise Fund Fixed Assets: Property, plant, and equipment reflected in the enterprise fund is stated at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Descriptions</u>	<u>Estimated Life</u>
Autos and trucks	3-5 years
Machinery, equipment, furniture, and fixtures	5-15 years
Sewer and water treatment plants and buildings	40 years
Other buildings	25-50 years
Sewer and water mains	70 years

Compensated Absences

Vacation benefits 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. 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 benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. The County changed the method for estimating compensated absences from the vesting to the termination method to provide a more accurate estimate of compensated absences.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In the proprietary fund, the entire amount of unpaid compensated absences is reported as a fund liability.

Reserves of Fund Equity

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory of supplies, and non-current loans receivable. Retained earnings reserves have been established for future debt service.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. The Juvenile Detention Center construction project was completed during 2001 and the Juvenile Detention Construction capital projects fund balance was transferred to the Juvenile Detention Bond debt service fund. All remaining interfund transfers are reported as operating transfers.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Capital

Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the Enterprise Fund and are not subject to repayment. Those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. Beginning in 2001, GASB Statement No. 33 requires that these types of contributions be recognized as revenue.

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.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1). The "Totals" column on statements which do not include component units have no additional caption.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR YEAR RESTATEMENTS

For fiscal year 2001, the County has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which change how the County recognizes certain types of revenues. GASB Statement No. 33 also requires that, beginning in 2001, capital contributions to proprietary funds be recognized as revenues.

The implementation of the GASB pronouncements, along with various fund reclassifications from the internal service funds and expendable trust funds into the special revenue fund type and numerous other adjustments, caused the following changes to the prior year's ending Fund Balances, Retained Earnings, and Account Group balances:

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR YEAR RESTATEMENTS

Fund Type / Account Groups	Balance at 12/31/00	Restatement	Restated Balance at 12/31/00
General	\$1,617,077	(\$684,991)	\$932,086
Special Revenue	\$8,298,463	\$1,362,148	\$9,660,611
Debt Service	\$84,235	\$283,987	\$368,222
Capital Project	\$174,330	\$53,365	\$227,695
Expendable Trust	\$102,595	(\$102,595)	\$0
Enterprise	\$1,872,786	\$102,408	\$1,975,194
Internal Service	\$215,597	(\$215,597)	\$0
Agency	\$28,918,932	\$3,913,204	\$32,832,136
General Fixed Assets	\$30,503,775	(\$88,815)	\$30,414,960
General Long-Term Obligations	\$10,986,352	(\$256,235)	\$10,730,117

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The HUD Disaster Recovery, Alternative to Street Crime Special Revenue Funds and the STAR Community Justice Center Construction Capital Projects fund have deficit fund balances of \$7,159, \$1,366, and \$49,209, respectively, at December 31, 2001. This deficit is due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The general fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations:

General Fund:

Judicial	\$2,034,350	\$2,035,363	(\$1,013)
Public Safety	\$2,723,691	\$3,085,269	(\$361,578)

Special Revenue Fund:

Regional Planning Commission			
Economic Development and Assistance	\$0	\$88,457	(\$88,457)

Capital Project Funds:

STAR Community Justice Center - Planning			
Operating Transfers - Out	\$16,609	\$86,609	(\$70,000)
STAR Community Justice Center - Operations			
Operating Transfers - Out	\$2,000	\$72,000	(\$70,000)
Juvenile Detention Construction			
Operating Transfers - Out	\$118	\$169,544	(\$169,426)

Enterprise Fund:

Fringe Benefits	\$84,141	\$177,451	(\$93,310)
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Federal Compliance

The following are requirements of Community Development Block Grants with which the County did not comply:

According to the **State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f)**, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule, which states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. During 2001, the County did not expend the funds drawn down within the required fifteen days.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Federal Compliance (Continued)

24 C.F.R. Part 570.206(e) and OMB Circular A-87 state that program administration indirect costs of overall program management coordination is eligible if indirect costs are charged using an accepted cost allocation plan. Compliance requirements for the recovery of indirect costs state that organizations must prepare cost allocations plans or indirect cost rate proposals in accordance with the guidelines provided in the circulars. The County prepared neither a cost allocation plan nor an indirect cost rate proposal for the recovery of indirect costs. Indirect costs were directly charged to the grants from which the necessary funds were available.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) Proprietary Fund Type are presented on the budgetary basis 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Advances - In and Advances - Out are operating transactions (budget) as opposed to a balance sheet transactions (GAAP).

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$690,167	\$5,570,369	(\$79,350)	\$949,121
Increases (decreases) Due To:				
Revenue Accruals	(494,520)	(2,184,035)	(7,655)	(474,809)
Expenditure Accruals	168,966	(943,345)	0	(312,460)
Encumbrances Outstanding				
At Year End (Budget Basis)	(97,346)	(857,555)	0	(170,864)
Note Proceeds	1,097,000	0	0	0
Principal Payments	(1,194,000)	(25,260)	0	0
Transfers	121,998	(9,624)	169,426	(319,939)
Advances	24,344	(24,344)	0	0
Budget Basis	\$316,609	\$1,526,206	\$82,421	(\$328,951)

Net Income/Excess Of Revenues Under Expenses
Proprietary Fund Type

	Enterprise
Net Income	\$220,144
Increases (decreases) Due To:	
Revenue Accruals	(95,880)
Expense Accruals	(582,486)
Proceeds of Bonds	347,940
Principal Payments	(526,627)
Depreciation Expense	393,148
Capital Outlay	(44,979)
Encumbrances Outstanding	
At Year End (Budget Basis)	(35,910)
Budget Basis Excess	(\$324,650)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - 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 demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the Federal Government Agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities
3. Written repurchase agreements in the securities listed above provided that 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 that 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 that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

At year-end, the County had \$172,641 of undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits: At year-end, the carrying amount of the County's deposits was \$13,929,997 and the bank balance was \$21,549,205. Of the bank balance, \$866,357 was covered by federal depository insurance. The remainder of \$20,682,848 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the County's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

Investments: Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counter party is a designated depository of the County for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the County Treasurer withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The County does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires the County to categorize investments to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the County's name.

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$4,596,150	\$4,596,150

The classification of cash and cash equivalents and investments on the general purpose financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the County's cash management pool.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash & Cash Equivalents	Investments
GASB Statement No. 9	\$18,698,788	\$0
Cash on Hand	(172,641)	0
Repurchase Agreements	(4,596,150)	4,596,150
GASB Statement No. 3	\$13,929,997	\$4,596,150

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected.

Collections of the taxes and remittance of them to the taxing districts are accounted for in the Undivided General Tax Agency Fund. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through the Undivided General Tax Agency Fund. The amount of the County's tax collections which flow through the agency fund is reported as "taxes receivable" on the combined balance sheet. Taxes receivable for individual funds have also been recorded as "taxes receivable".

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 7 - PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2001, was \$7.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$490,611,520
Commercial/Industrial/Mineral	119,277,750
Public Utility Real	7,297,730
Tangible Personal Property:	
General	83,141,720
Public Utility Real	69,127,900
Total Assessed Value	<u><u>\$769,456,620</u></u>

Property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - PERMISSIVE SALES TAX

In accordance with Sections 5739.02 and 5741.02 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 State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales tax are credited to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive sales tax revenue for 2001 amounted to \$7,113,715.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, accounts (billings for user charged services), interfund activity, interest on investments, loans and intergovernmental receivables arising from grants and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables is as follows:

Fund Type / Fund	Amount
General Fund:	
Homestead, Rollback, Exemption	\$106,102
Local Government	581,470
Local Government Revenue Assistance	173,605
Tangible Tax	2,934
Court Services, Fines, and Forfeitures	98,063
Total General Fund	\$962,174
	(Continued)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 - RECEIVABLES (Continued)

Fund Type / Fund	Amount
Special Revenue Funds:	
Child Support Enforcement Agency	\$25,458
Law Enforcement Sheriff	2,395
Juvenile Detention Center	49,643
Special Prosecution - Southern Ohio Correctional Facility	2,465
Public Assistance	722,154
Recycling and Litter Prevention	9,972
Motor Vehicle and Gas Tax	2,361,179
Felony Delinquent Care and Custody	36,178
Board of MRDD	427,511
TB Levy	21,842
Scioto County Residential Services	19,303
Reach	184,023
Children Services	705,392
Juvenile Accountability Incentive	13,837
Jail Diversion Misdemeanant	25,887
State Community Development 99	561,800
HUD Disaster Recovery	80,203
Intensive Supervision Probation	55,385
Scioto County Emergency Planning	1,867
Adult Basic Literacy Education	5,823
Victims of Crime 01-02	39,818
Dare Grant	10,703
Southern Ohio Response 01	58,267
Total Special Revenue Funds	<u>5,421,105</u>
Capital Projects Funds:	
STAR Community Justice Center Construction	494,347
STAR Community Center Operation	787,350
Total Capital Projects Funds	<u>1,281,697</u>
Enterprise Funds:	
Wheelersburg Pump Station	\$1,505
	<u>(Continued)</u>

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 - RECEIVABLES (Continued)

Fund Type / Fund	Amount
Agency Funds:	
ADAMHS Board	\$3,630,939
Undivided Personal Property Taxes	374,588
Motor Vehicle License	170,894
Township Gasoline	454,373
Township Highway	144,202
Local Government	944,126
Intangible Tax	4,765
Local Government Revenue Assistance	281,880
Public Library	2,066,820
Permissive Township Tax	3,211
Municipal Court	3,717
Total Agency Funds	<u>8,079,515</u>
Total Intergovernmental Receivables	<u><u>\$15,745,996</u></u>

NOTE 10 - FIXED ASSETS

General Fixed Assets

Changes in general fixed assets during 2001 were as follows:

Asset Category	Balance for the Year Ended 12/31/2000	Additions	Deletions	Balance for the Year Ended 12/31/2001
Land and Improvements	\$1,655,320	\$0	\$0	\$1,655,320
Building and Building Improvements	15,931,711	5,448,413	0	21,380,124
Machinery, Equipment, and Fixtures	3,610,497	26,494	0	3,636,991
Machinery, Equipment, and Fixtures - Leased	45,191	58,578	0	103,769
Vehicles	3,461,245	520,869	296,759	3,685,355
Vehicles - Leased	518,235	122,945	327,033	314,147
Construction in Progress	5,192,761	83,680	3,331,912	1,944,529
Total General Fixed Assets	<u>\$30,414,960</u>	<u>\$6,260,979</u>	<u>\$3,955,704</u>	<u>\$32,720,235</u>

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 10 - FIXED ASSETS (Continued)

Fund Fixed Assets

All fund fixed assets relate to the sewer enterprise fund. The balances as of December 31, 2001, were as follows:

Asset Category	Balance as of 12/31/2001
Land and Improvements	\$79,722
Building and Building Improvements	2,302,378
Machinery, Equipment, and Fixtures	1,764,059
Vehicles	193,294
Sewer Lines	11,374,635
Construction in Progress	140,116
Total	15,854,204
Less: Accumulated Depreciation	(3,914,290)
Net Fund Fixed Assets	\$11,939,914

NOTE 11 – LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2001 was \$1,338,005. Included in the loans receivable balance were loans issued by the Department of Human Services in the amount of \$334,984 to individuals who need assistance in obtaining employment and in obtaining the necessities to get to work or maintain employment.

NOTE 12 - 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. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to forty-nine members.

Under the CORSA program for general liability, auto liability, error and omission for public officials, and law enforcement liability, the County has \$7,000,000 of total liability coverage. The limit applies to any one occurrence of loss, with no annual aggregate except for the Public Officials Liability and Products Liability, which both have the same per occurrence and annual aggregate limit. For the General liability, Law Enforcement, and Auto Liability, there is no annual aggregate. Property damage is on a replacement cost basis.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 12 - RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

Employee dishonesty, money and securities inside and out, money orders and counterfeit, and depositor's forgery are covered in the amount of \$1,000,000 aggregate.

Workers' compensation benefits are provided through the Ohio Bureau of Workers' Compensation. For 2001, the County participated in the County Commissioner's Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation group purchasing pool (See Note 21). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

The County may withdraw from the CCAO if written notice is provided sixty days prior to the prescribed applicant deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAO prior to withdrawal, and any participant leaving the CCAO allows representatives of the CCAO to access loss experience for three years following the last year of participation.

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS

Public Employees Retirement System

All County employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (Continued)

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2001 employer pension contribution rate for the County was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Also, the law enforcement contribution rate for the County was 12.40 percent of covered payroll, an increase from 11.40 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$2,038,748, \$1,970,223, and \$2,169,777, respectively; 90 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

State Teachers Retirement System

The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the year ended December 31, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2001, 2000 and 1999 totaled \$94,517, \$120,003, and \$108,624, respectively; 89 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

NOTE 14 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$915,431. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2001, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. This system is on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$44,771 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

NOTE 15 - 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 unforeseeable emergency.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 15 - OTHER EMPLOYEE BENEFITS (Continued)

Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department 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 of 480 hours, depending on length of service, to employees who retire. As of December 31, 2001, the liability for compensated absences was \$1,872,574 for the County.

For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using available expendable resources, and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. Unpaid compensated absences of \$19,251 and \$74,484 were reported as an accrued liability in the general and special revenue funds, respectively. The balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$1,711,640. The accrual for unpaid compensated absences of \$67,199 is reported in the Enterprise Funds.

Insurance Benefits

Health insurance was provided by a private carrier, Medical Mutual of Ohio for the year. Also, dental insurance and vision insurance was provided by Guardian and Vision Plus, respectively.

NOTE 16 – LEASES – LESSEE DISCLOSURE

During the year 2001, and in prior years, the County entered into capitalized leases for vehicles, and equipment, furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment, furniture, fixtures, and vehicles have been capitalized in the general fixed assets account group in the amount of \$417,916. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2001 totaled \$150,256 in the general fund and \$71,740 in the special revenue funds.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 16 – LEASES – LESSEE DISCLOSURE (Continued)

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, 2001.

Year Ending December 31,	GLTDAG
2002	\$132,022
2003	82,150
2004	34,122
2005	8,207
2006	2,742
Total	259,243
Less: Amount Representing Interest	(26,878)
Present Value of Net Minimum Lease Payments	\$232,365

The County leases buildings, vehicles, and equipment, furniture and fixtures under noncancelable operating leases. Operating lease payments are reported as function expenditures in both the combined financial statements for the governmental funds and on the budgetary statements. Total operating lease payments in 2001 totaled \$95,158 in the general fund and \$31,570 in the special revenue funds.

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

Year Ending December 31,	Amount
2002	\$161,970
2003	147,293
2004	115,502
2005	1,060
Total	\$425,825

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding at 12/31/00	Additions	Deletions	Principal Outstanding at 12/31/01
<u><i>Enterprise Fund Obligations</i></u>				
<u><i>General Obligation Bonds</i></u>				
Franklin Furnace 1997 4.50%	\$821,204	\$0	\$9,020	\$812,184
Sewer System Refunding Bonds West Portsmouth Sewer 1999 4.50%	<u>2,665,000</u>	<u>0</u>	<u>110,000</u>	<u>2,555,000</u>
Total General Obligation Bonds	<u>\$3,486,204</u>	<u>\$0</u>	<u>\$119,020</u>	<u>\$3,367,184</u>
<u><i>Mortgage Revenue Bonds</i></u>				
1970 5.375%	<u>\$295,000</u>	<u>\$0</u>	<u>\$25,000</u>	<u>\$270,000</u>

(Continued)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/00	Additions	Deletions	Principal Outstanding at 12/31/01
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>				
FHA Bonds - West Portsmouth Improvement 1993 5.00%	\$769,400	\$0	\$9,600	\$759,800
FHA Bonds - Lucasville Phase II 1995 4.50%	616,790	0	7,570	609,220
FHA Bonds - Lucasville Phase III 1996 3.86%	808,823	0	9,387	799,436
FHA Bonds - West Portsmouth Phase VII 1999 4.50%	817,290	0	8,050	809,240
FHA Bonds - Lucasville Phase IV 2001 4.75%	0	347,940	0	347,940
Total FHA Bonds	<u>3,012,303</u>	<u>347,940</u>	<u>34,607</u>	<u>3,325,636</u>
Total Enterprise Fund Obligations	<u>\$6,793,507</u>	<u>\$347,940</u>	<u>\$178,627</u>	<u>\$6,962,820</u>

(Continued)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/00	Additions	Deletions	Principal Outstanding at 12/31/01
<u>General Long-Term Obligations</u>				
<u>General Obligation Bonds</u>				
Human Services 1994 4.95%	\$2,530,000	\$0	\$180,000	\$2,350,000
Airport Facilities Bond 2001 7.00%	0	55,000	0	55,000
Shelton Industries 1999 8.05%	2,830,000	0	40,000	2,790,000
Various Purpose Bonds 2000 5.7%	1,940,000	0	115,000	1,825,000
Juvenile Detention Center 2000 5.80%	<u>1,820,000</u>	<u>0</u>	<u>55,000</u>	<u>1,765,000</u>
Total General Obligation Bonds	<u>9,120,000</u>	<u>55,000</u>	<u>390,000</u>	<u>8,785,000</u>
<u>Other Long-Term Obligations</u>				
CFSC Loan Payable	84,338	0	5,726	78,612
Capital Leases Payable	272,839	181,522	221,996	232,365
Compensated Absences Payable	<u>1,252,940</u>	<u>458,700</u>	<u>0</u>	<u>1,711,640</u>
Total Other Long-Term Obligations	<u>1,610,117</u>	<u>640,222</u>	<u>227,722</u>	<u>2,022,617</u>
Total General Long-Term Obligations	<u><u>\$10,730,117</u></u>	<u><u>\$695,222</u></u>	<u><u>\$617,722</u></u>	<u><u>\$10,807,617</u></u>

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and 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 with equal amounts of principal maturing each year and are paid with taxes from the Debt Service Fund.

Enterprise Fund General Obligation Bonds

The Enterprise Fund Farmer's Home Administration (FHA) General Obligation Bonds are issued for the purpose of replacing sewer lines. The Enterprise Fund Obligation 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 with equal amounts of principal maturing each year and are paid with revenues from the operation of the sewer system.

During 1999, the County issued general obligation bonds supported by Enterprise revenues in the amount of \$2,880,000 to advance refund outstanding debt. The advanced refunding resulted in an economic loss (difference between the book value of the old debt and the reacquisition amount) of \$211,245. The unamortized amount of the loss at December 31, 2001 was \$181,067 within the financial statements. The amount presented in the footnotes is the face value of the debt less the payments made to date.

In 1997, the County issued \$846,000 in general obligation bonds for the purpose of the Franklin Furnace sewer extension project. The general obligation bonds were issued as 40 year bonds and are paid with revenues from the operation of the sewer system.

Ohio Public Works Commission Loan

In 2001, Scioto County was approved for a \$274,250 loan from the Ohio Public Works Commission for the purpose of replacing sewer lines. The work has not commenced, therefore, no loan monies have been received as of December 31, 2001.

Mortgage Revenue Bonds

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

CSFC Loan

The Board of Mental Retardation and Developmental Disabilities has an outstanding loan which was issued in 1986. The proceeds from the loan were used to construct the building for the STAR Workshop. The loan will be retired from the Board of Mental Retardation and Developmental Disabilities special revenue fund in January 2013.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Conduit Debt Obligation

During 2001, the County issued revenue bonds in the aggregate principal amount of \$1,870,000 for the Shawnee Mental Health Center. The proceeds are to be used by the Shawnee Mental Health Center to construct a new facility. The 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.

During 1999, the County issued General Obligation Bonds supported by Enterprise Revenues in the amount of \$2,880,000 to advance refund outstanding debt. The advance refunding resulted in an economic loss (difference between the book value of the old debt and the reacquisition amount) of \$211,245. The unamortized amount of the loss at December 31, 2001 was \$181,067 and is reported as a reduction in the liability. As a result, the General Obligation Bonds supported by Enterprise Revenues outstanding at December 31, 2001 has been reduced by the unamortized loss of \$181,067 within the financial statements. The amount presented in the footnotes is the face value of the debt less the payments made to date.

Capital leases will be paid from the general fund and special revenue funds. Compensated absences will be paid from the funds from which the employees' salaries are paid.

The County's total legal debt margin was \$5,933,334 at December 31, 2001.

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

	General Obligation Bonds for Governmental Purposes	General Obligation Bonds Supported by Enterprise Revenues	Revenue Bonds Supported by Enterprise Revenues	FHA Bonds Supported by Enterprise Revenues	CFSC Loan	Totals
2002	\$943,381	\$273,404	\$38,841	\$194,611	\$8,544	\$1,458,781
2003	938,216	274,149	37,497	194,610	8,544	1,453,016
2004	937,036	274,589	36,153	194,580	8,544	1,450,902
2005	939,406	274,715	39,675	194,621	8,544	1,456,961
2006	940,358	274,515	38,062	194,637	8,544	1,456,116
2007-2011	4,561,424	1,365,742	149,916	973,054	42,720	7,092,856
2012-2016	2,432,270	1,374,086	0	973,073	9,256	4,788,685
2017-2021	2,202,880	455,084	0	972,996	0	3,630,960
2022-2026	1,051,200	229,871	0	972,959	0	2,254,030
2027-2031	0	229,870	0	972,897	0	1,202,767
2032-2036	0	229,872	0	793,448	0	1,023,320
2037-2040	0	45,975	0	134,494	0	180,469
Totals	14,946,171	5,301,872	340,144	6,765,980	94,696	27,448,863
Less: Amount Representing Interest	(6,161,171)	(1,934,688)	(70,144)	(3,440,344)	(16,084)	(11,622,431)
Total Principal	\$8,785,000	\$3,367,184	\$270,000	\$3,325,636	\$78,612	\$15,826,432

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 18 - SHORT-TERM OBLIGATIONS

The County had the following general obligation bond anticipation notes outstanding at December 31, 2001. Notes which were refinanced subsequent to the balance sheet date and prior to issuance of this report are recorded as liabilities in the General Long-Term Obligations Account Group.

Type/Issues	Balance at 12/31/00	Additions	Deletions	Balance at 12/31/01
<i>General Fund</i>				
Tax Anticipation Notes				
December 1, 2001 4.00%	\$0	\$500,000	\$500,000	\$0
Airport Hanger Bond Anticipation Notes				
November 20, 2001 4.96%	215,000	0	215,000	0
Airport Hanger Bond Anticipation Notes				
November 19, 2002 3.00%	0	205,000	0	205,000
Commercial Property Acquisition				
Bond Anticipation Notes				
September 26, 2002 3.00%	417,000	392,000	417,000	392,000
Airport Facilities Bond Anticipation Notes				
August 15, 2001 5.06%	62,000	0	62,000	0
Total General Fund	<u>694,000</u>	<u>1,097,000</u>	<u>1,194,000</u>	<u>597,000</u>
<i>Special Revenue Fund</i>				
Road and Bridge Anticipation Notes				
July 12, 2001 6.00%	97,000	0	97,000	0
<i>Enterprise Fund</i>				
Lucasville Phase IV Bond				
Anticipation Notes				
June 6, 2001 6.00%	348,000	0	348,000	0
Total Bond Anticipation Note Obligations	<u>\$1,139,000</u>	<u>\$1,097,000</u>	<u>\$1,639,000</u>	<u>\$597,000</u>

Tax and Bond Anticipation Notes

The County issued Tax Anticipation Notes on May 30, 2001 in the amount of \$500,000 in anticipation of sales tax revenue based upon the implementation of an additional one-half percent sales tax for the General Fund. These notes matured on December 1, 2001 and were paid from the General Fund.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 18 - SHORT-TERM OBLIGATIONS (Continued)

The County had two outstanding notes at December 31, 2001, the Airport Hangar Bond Anticipation Notes and the Commercial Property Acquisition Bond Anticipation Note. The notes were issued for one year. The proceeds from the note issues were used for airport improvements and to retire existing debt. The Airport Hanger Bond Anticipation Note will be repaid by the Airport. The Commercial Property Acquisition Bond Anticipation Notes will be repaid by the Port Authority.

The Road and Bridge Anticipation Note was retired during 2001 in the amount of \$97,000. The note had been issued to refinance notes originally issued for the purpose of constructing road and bridge improvements in the County.

The Enterprise Fund Lucasville Phase IV Improvement Bond Anticipation Note was retired during 2001 in the amount of \$348,000 and General Obligation Bonds were issued in its place.

The Airport Facilities Bond Anticipation Note was retired during 2001 in the amount of \$62,000 and Airport Facilities General Obligation Bonds were issued in its place in the amount of \$55,000.

NOTE 19 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001 consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Due from Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$28,566	\$0	\$0	\$0
<i>Special Revenue Funds:</i>				
State Community Development	0	10,000	0	0
Southern Ohio Response Team	0	18,566	0	0
Children Services	0	0	28,399	0
Coordinated Transportation	0	0	58,479	0
Human Services	0	0	0	86,878
Total Special Revenue Funds	<u>0</u>	<u>28,566</u>	<u>86,878</u>	<u>86,878</u>
Total All Funds	<u>\$28,566</u>	<u>\$28,566</u>	<u>\$86,878</u>	<u>\$86,878</u>

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

Adams, Lawrence, Scioto Alcohol Drug Addiction, and Mental Health Services Board

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 is to provide aid, support and education for alcohol and drug dependent citizens as well as those who are mentally handicapped.

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)

The three county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: 4 members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, 4 are appointed by the Ohio Director of Mental Health service, 4 each are appointed by Scioto and Lawrence Counties and 2 are appointed by Adams County. The main sources of revenue for this board are grants from the two State departments. Outside agencies are contracted by the Board to provide service for the Board. Financial records are maintained by the Scioto County Auditor and Treasurer. Each county has a participation percent based upon the number of Board Members appointed. Scioto County appoints four members, which represents 40% of the total members appointed by the three counties. The ADAMHS Board received a contribution from the County of \$2,000 during 2001.

Ohio Valley Resource Conservation and Development Area, Inc.

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as 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 thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received a contribution from the County of \$120 during 2001.

Workforce Advisory Policy Board

The Workforce Advisory Policy Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams and Brown Counties appointed by the county commissioners from each county. The twenty-eight member board must include a majority of its members from the private sector including representatives from labor, Department of Job and Family Services, a consumer group, education and a Chief Elected Official from a municipality. The Workforce Advisory Policy Board must meet at least four times per year to review and coordinate such area wide plans that are presented to the Governor for use of the local area Workforce Improvement Act funds. The Workforce Advisory Policy Board received no contributions from the County during 2001.

Star Justice Center

The Star Justice Center is a jointly governed organization that is governed by a Board comprising of eleven Court of Common Pleas judges. The Star Justice Center serves as a rehabilitation center serving Scioto, Athens, Fairfield, Gallia, Hocking, Jackson, Lawrence, Meigs, Morgan, Perry, Pike, Ross, Vinton and Washington Counties. Scioto County serves as the fiscal agent for the Star Justice Center.

Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably 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.

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)

Private Industry Council

The Private Industry Council (PIC) is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, Jackson and Brown counties appointed by the county commissioners from each county. The Board of Trustees is the governing board of the PIC. The Board of Trustees elects a President, Vice President, Secretary, Treasurer and an Executive Director. The President may execute, without limitation, contracts, bonds, notes, debentures, deeds, mortgages and other obligations in the name of the PIC. The County does not have any ongoing financial interest in or responsibility for the Council. The Private Industry Council received no contributions from the County during 2001.

Scioto County Community Action 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 (WIA) grant. The CAO Board is comprised of local public officials. The CAO controls its own operations and budget. In 2001, the County paid the CAO \$321,755 for administrative costs for WIA Youth, Adult and Dislocated Workers.

Southern Ohio Development Initiative

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 ability to impose its will on the organization nor is a burden/benefit relationship in existence. During 2001, the County received \$25,000 for a GIS Mapping project.

Portsmouth Metropolitan Housing Authority

The Portsmouth Metropolitan Housing Authority is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the City of Portsmouth. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received no contributions from the County during 2001.

Joint Solid Waste District

The County participates in a Joint Solid Waste District with Lawrence County. The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. Each of the governments supports the District and shares in an equal percentage of equity. The degree of control exercised by each participating County is limited to its representation on the Board. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the Solid Waste District rotates between the two counties every third year. Lawrence County maintained the records in 2001.

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)

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 Solid Waste District upon its dissolution. The agreement also sets forth the method to determine each members proportionate share. The Solid Waste District is 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 Solid Waste District was \$12,750 as of December 31, 2001. Complete financial statements can be obtained from the Solid Waste district located at Veterans Square, 3rd Floor, Ironton, OH 45638.

NOTE 21 – RISK SHARING POOL / GROUP PURCHASING POOL

County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among thirty-nine 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 coverages provided by CORSA. These coverages include 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 the Corporation 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 insured 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 Certificates were retired on May 1, 1997. All member obligations have been satisfied. Each member county has equity in CORSA's member equity funds.

County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of the Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing responsibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and the treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 22 – RELATED ORGANIZATIONS

Southern Ohio Port Authority

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

NOTE 23 – CONTRACTUAL COMMITMENTS

As of December 31, 2001, the County had the following contractual purchase commitments for numerous projects.

<u>Project/Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at December 31, 2001</u>
<i>GIS Mapping</i>			
Woolpert, LLP	\$1,065,175	\$834,299	\$230,876
<i>Wheelersburg Lift Station Renovation</i>			
Woolpert, LLP	48,300	33,600	14,700
<i>Wheelersburg Wastewater Treatment Plant</i>			
Woolpert, LLP	182,500	74,691	107,809
<i>Eden Park Sanitary Sewer</i>			
Woolpert, LLP	17,200	12,575	4,625
<i>Rigrish Sanitary Sewer Extension</i>			
Woolpert, LLP	19,700	19,250	450
<i>STAR Community Justice Center</i>			
E Z Electric	227,300	34,490	192,810
Glennco Systems	539,421	534,436	4,985
J & H Structural Erectors	1,470,200	366,850	1,103,350
M L Architects and Planners	149,663	132,646	17,017
Mechanical Construction	448,000	41,808	406,192
<i>Juvenile Detention Center</i>			
D.R. Madden Construction	1,877,706	1,875,706	2,000
<i>Sewer Line Relocation</i>			
Portsmouth General Construction	92,957	10,755	82,202
Totals	<u>\$6,138,122</u>	<u>\$3,971,106</u>	<u>\$2,167,016</u>

In addition to the contracts noted above, the County entered into a contract on January 3, 2002 with Boone Coleman Construction at \$240,665 for the Wheelersburg Pump Station.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 24 - CONTINGENT LIABILITIES

Litigation

The County is party to legal proceedings. However, no liability has been accrued on the balance sheet 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, 2001, to December 31, 2001, 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 25 – 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 market value as applicable, in the financial statements of STAR, Inc. In 2001, these contributions were \$72,030.

Scioto County Airport Authority, a discretely presented component unit of Scioto County, received contributions from the County for utilities, salaries and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair market value as applicable, in the financial statements of the Airport Authority. In 2001, these contributions were \$42,830.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

STAR, Inc.

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

Measurement Focus and Basis of Accounting - STAR, Inc. uses the governmental model of *GASB Statement No. 29, "The Use of Not-for Profit Accounting and Financial Reporting Principles by Governmental Entities"* for non-profit corporations. This component unit is accounted for like enterprise funds using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

Prior Year Restatement - During the year, a miscellaneous adjustment was necessary which required restatement.

Fund Type	Balance at 12/31/00	Restatement	Restated Balance at 12/31/00
STAR Incorporated	\$233,656	\$340	\$233,996

Deposits and Investments - At year end, the carrying amount of the STAR, Inc. deposits was \$230,189 and the bank balance was \$233,214. Of the bank balance, \$112,185 was covered by federal deposit insurance. The remainder of \$121,019 was considered insured through Securities Investor Protection Corporation (SIPC) for which the securities are held by the broker.

At year-end, STAR, Inc. had \$296 in undeposited cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

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

Fixed Assets - A summary of STAR, Inc. fixed assets at December 31, 2001 follows:

Machinery and Equipment	\$127,307
Less: Accumulated Depreciation	(117,690)
Total Fixed Assets (net)	\$9,617

Fixed assets are depreciated on a straight-line basis using an estimated useful life of 3 to 10 years for STAR's equipment.

Scioto County Airport Authority

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of Scioto County Airport Authority. The County did not reflect this component unit in the past:

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

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

Deposits and Investments – At year end, the carrying amount of the Scioto County Airport Authority deposits was \$57,070 and the bank balance was \$57,712. The bank balance was covered by federal deposit insurance.

Due from other Governments – Due from other governments represents intergovernmental revenue for a runway safety area grading project to be received from the FAA.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

Contracts Payable – Contracts payable represents capital outlay disbursements for a runway safety area grading project. In addition to these payables, the airport authority has an outstanding contractual commitment as of December 31, 2001, to Boone Coleman Construction Company for this project in the amount of \$4,383.

NOTE 27 – SUBSEQUENT EVENTS

Revenue Bonds

The County authorized the issuance and sale of adjustable rate healthcare facilities improvement revenue bonds in an aggregate principal amount not to exceed \$1,400,000 on June 25, 2002. These bonds were issued to provide funds to finance and refinance the acquisition, construction, renovation, improvement, installation or equipping various properties in connection with the Scioto County Counseling Center.

Bond Anticipation Notes

The County issued a bond anticipation note in the amount of \$1,200,000 for wastewater system improvements on June 27, 2002. This note was issued in anticipation of a bond issuance to meet the short term financing of the Wheelersburg Pump Station improvement project.

The County issued a bond anticipation note in the amount of \$250,000 for the Human Services building on June 27, 2002. This note was issued in anticipation of a bond issuance to meet the short term financing of the Human Services building project.

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SCIOTO COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education</i>			
National School Lunch Program	N/A	10.555	\$6,419
Total United States Department of Agriculture			6,419
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grant - State's Program	BF00-068-1 BF99-068-1 BF98-068-1	14.228	243,855 269,633 145,623
Home Improvement Partnership Program	BC-99-068-1		427,317
Total United States Department of Housing and Urban Development			1,086,428
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through Office of Criminal Justice</i>			
Juvenile Accountability Incentive Block Grant	1999-JB-001-A027 2000-JB-001-A027	16.523	650 4,121
Total Juvenile Accountability Incentive Block Grant			4,771
Juvenile Justice and Delinquency Prevention Allocation	N/A N/A	16.540	64,439 88,176
Total Juvenile Justice and Delinquency Prevention Allocation			152,615
Byrne Memorial Grant		16.579	
Scioto Treatment Alternatives	2000 DB-MU-0039		62,213
Turning Point Program	1998-RS-SAT-116A		10,853
Total Byrne Memorial Grant			73,066
Violence Against Women Formula Grant	1998-WFVAW 1998-WF-VA5-8499 1998-WR-RDV-8499A	16.589	817 10,544 129,498
Total Violence Against Women Formula Grant			140,859
Local law Enforcement Block Grants Program	1999-LB-VX-8109	16.592	29,620
<i>Passed through Office of Ohio Attorney General</i>			
Crime Victim Assistance	2001-VAGENE-398 2002-VAGENE-398	16.575	51,452 13,685
Total Crime Victim Assistance Grant			65,137
Total United States Department of Justice			466,068
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed through Ohio Department of Job and Family Services</i>			
Workforce Investment Act Cluster:			
Adult Program	N/A	17.258	263,958
Youth Program	N/A	17.259	474,302
Dislocated Workers	N/A	17.246	74,733
Total Workforce Investment Act Cluster			812,993
Total United States Department of Labor			812,993
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through Ohio Department of Public Safety</i>			
Public Transportation for Non-Urbanized Areas	RPT-0073-019-002	20.509	71,096
State and Community Highway Safety	1556	20.600	27,597
Total United States Department of Transportation			98,693
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed through Ohio Emergency Management Agency</i>			
Hazardous Material Emergency Planning Grant	N/A	20.703	496
Emergency Management Performance Grant	J236 J237	83.552	20,252 17,500
Total Emergency Management Performance Grant			37,752
Public Assistance Program	B98-NU-39-002	84.544	33,776
Total Federal Emergency Management Agency			72,024
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Department of Agriculture</i>			
Waste Water Disposal Systems for Rural Communities	N/A	10.760	289,825
Total United States Department of Agriculture			289,825

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

SCIOTO COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES DECEMBER 31, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's Federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The County passes-through certain Federal assistance received from Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

At December 31, 2001, the gross amount of loans outstanding under this program were \$1,885,733; consisting of \$1,465,000 from EDA monies (CFDA#11.307), \$75,048 from UDAG monies, and \$345,685 from HUD monies. Delinquent amounts due are \$374,933. Of the loan balances, outstanding, \$870,878 has been determined to be uncollectible.

Most of these loans are collateralized by mortgages on the property and by equipment, however, the County has taken second and third position lien holders on some of the loans which are the uncollectible loans noted above. Two of the businesses are in bankruptcy and are in default revolving loan agreements. The assets of the businesses were sold, however, proceeds from the sales did not generate enough revenue to pay first lien holders, therefore, the County did not receive the program income for these loans. The County has issued judgement against the owners of these businesses in an effort to collect the principal of these loans.

NOTE D - MATCHING REQUIREMENTS

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the accompanying general purpose financial statements of Scioto County, Ohio (the County), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 13, 2002 wherein we noted the County adopted Governmental Accounting Standards Board Statements Number 33 and 36 and reclassified certain funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated August 13, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-60773-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2001-60773-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 13, 2002.

This report is intended for the information and use of the Board of County Commissioners, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

August 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

Compliance

We have audited the compliance of Scioto County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 2001-60773-002 and 2001-60773-003 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Cash Management and Allowable Costs/Cost Principles that are applicable to its Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operations that we consider to be material weaknesses. We noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 13, 2002.

This report is intended for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

August 13, 2002

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA #14.228 Workforce Improvement Act, Adult CFDA #17.258, Youth CFDA # 17.259, Dislocated Worker CFDA # 17.246 Medical Assistance Program Title XIX, CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

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

FINDING NUMBER 2001-60733-001

Material Weakness

The County does not have a fixed assets system. The County has relied on information the Auditor of State has maintained. However, maintaining systems to support financial reporting needs is management's responsibility. The lack of a system could result in the misstatement of fixed assets in the general purpose financial statements of the County since there is no central area from which to collect the necessary information. Further, physical security and control of the assets is hampered by not having a central tracking system.

We recommend the County develop or acquire a central fixed assets tracking system. All of the assets of the County should be given a unique identification number. Further, identification tags containing the asset's identification number should be placed on the asset. The system should include a description of the asset, the date purchased, cost and should calculate and keep track of accumulated depreciation for each of the assets. Further, the system should include the fund(s) from which the asset was purchased and function(s) or program(s) for which the asset is used. This could enhance the County's ability to track assets purchased with federal grant monies. Such a system would enhance the County's ability to properly report the fixed assets and would also enhance physical security and control over the assets.

Recent changes to the independence rules of *Governmental Auditing Standards* may prohibit the Audit or of State from maintaining fixed asset records for the County.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-60773-002
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number / Year	BF99-068-1, BC99-068-1 and BF00-068-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Cash Management

According to the *State of Ohio Department of Development, Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section (A)(3)(f)*, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that any funds may only be in an escrow account for 20 days. If funds are deposited in an interest bearing account, the grantee must remit to Ohio Housing Community Partnership, on at least a quarterly basis, any interest earned that totals more than \$100 per year.

A comparison of the draws to the expenditures for each of the funds revealed the following:

Project #BF00-068-1:

A draw down was received in the amount of \$10,000 on August 29, 2001, and the subsequent disbursement was made in the amount of \$10,000 on September 24, 2001. In addition, a draw was received in the amount of \$54,000 on June 21, 2001, and a subsequent disbursement was made in the amount of \$44,715 on July 26, 2001. We also noted that the County received several draws throughout 2001. In addition, several disbursements were made subsequent to these receipts, however, the cash account balance exceeded \$5,000 through most of the year. Therefore, funds were held on deposit exceeding \$5,000 for over 15 days.

Project #BF99-068-1:

A draw down was received in the amount of \$72,000 on June 21, 2001. Several disbursements were made subsequent to this receipt; however, as of November 21, 2001, \$11,652.36 still remained as the cash account balance per the ledgers. In addition, a draw down was received in the amount of \$80,788 on May 10, 2001. Several disbursements were made subsequent to this receipt; however, as of June 26, 2001, \$38,320.05 still remained as the cash account balance per the ledgers. Therefore, funds were held on deposit exceeding \$5,000 for over 15 days.

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Cash Management (Continued)

Project #BC99-068-1:

A drawdown was received in the amount of \$100,698 on February 23, 2001. Several disbursements were made subsequent to this receipt, however as of March 23, 2001, \$24,499.83 still remained as the cash account balance per the fund ledger. In addition, drawdowns were received in the amount of \$82,870 on April 26, 2001 and \$30,127 on May 10, 2001. Several disbursements were made subsequent to these receipts, however as of June 15, 2001, \$29,398.95 still remained as the cash account balance per the fund ledger. Therefore, funds were held on deposit exceeding \$5,000 for over 15 days.

The County earned interest in the amount of \$663 on CDBG funds during the audit period. No interest was remitted to the Ohio Housing Community Partnership. This exceeded the \$100 annual limitation on interest earnings.

We recommend the County develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend the County remit \$563 in interest earnings to the Ohio Housing Community Partnership.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2001-60773-003
CFDA Title and Number	Community Development Block Grant CFDA #14.228
Federal Award Number / Year	BF98-068-1, BF99-068-1, and BF00-068-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Allowable Cost/Cost Principles – Questioned Cost

24 C.F.R. Part 570.206(e) and OMB Circular A-87 states that program administration costs of overall program management coordination is eligible if indirect costs are charged using an accepted cost allocation plan. Community Development Block Grants (CDBG) Compliance Requirements for the recovery of indirect costs state that organizations must prepare cost allocation plans (CAPs) which apply to local governments or indirect cost rate proposals (IDCRPs) in accordance with the guidelines provided in the circulars. Organizations, such as smaller local governments, must prepare appropriate CAPs or IDCRPs and maintain them on file for review. Indirect costs are defined as those costs that benefit common activities and, therefore, cannot be readily assigned to a specific direct cost objective or project. OMB Circular A-87 also requires direct costs, such as payroll and related fringe benefits, must be allocated according to Circular guidelines.

During the audit, the Community Development Office Manager stated that neither CAPs nor IDCRPs were prepared for the recovery of indirect costs. Further, it was noted that the Community Development Department administered various grants. The County directly charged certain grants for indirect costs, such as advertisements, pager service bills, cellular phone bills, office supplies, etc. The County did not maintain sufficient usage documentation to substantiate the reasoning for charging the specific grants the amounts that were charged. In addition, payroll and related payroll costs were directly charged to grants without sufficient documentation of the time worked on specific grants or projects. This causes questions concerning the validity and allowability of such costs in the manner that they were charged to various grants. Due to the lack of documentation and the failure of the County to develop a cost allocation plan and/or an indirect cost rate proposal plan for the recovery of indirect costs, and a method to charge direct costs to the program, \$62,996.52 in expenditures were arbitrarily allocated to the current CDBG grants administered by the County and are, therefore, considered questioned costs.

We recommend the County develop either a cost allocation plan (CAP) or an indirect cost rate proposal (IDCRP) and maintain a copy on file. The County should maintain documentation as to how they arrived at the rates or allocation plan to be used. The development of such plans should not result in arbitrary charges. Further, we recommend the County maintain documentation of the actual time worked on each specific project and grant for the charging of the payroll of employees and consultants to support direct costs charged to the program. It is important to substantiate any and all charges to the Community Development Block Grants to ensure compliance with applicable requirements.

SCIOTO COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-60773-001	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeded appropriations	No	Partially corrected. Immaterial noncompliance amounts noted during the audit period. Item is reported in the management letter.
2000-60773-002	County does not have a fixed assets system	No	A material weakness is included in the current report as item # 2001-60773-001.
2000-60773-003	Deficiencies in the process used to compile financial statements	Yes	
2000-60773-004	Probate Court's reconciled bank statement balances did not agree with their respective cashbooks at December 31, 2000.	No	Partially corrected. The Court was reconciled to an insignificant variance. Item is reported in the management letter.
2000-60773-005	Materials for projects were not purchased through the normal County purchasing procedures and maintain supporting receipts for purchases made by Maintenance Supervisor for projects.	Yes	
2000-60773-006	The County did not develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of Community Development Block Grant funds.	No	A noncompliance citation is included in the current report as Item # 2001-60773-002.
2000-60773-007	The County did not develop either a cost allocation plan (CAP) or an indirect cost rate proposal (IDCRP) for charges to the Community Development Block Grant.	No	A noncompliance citation is included in the current report as Item # 2001-60773-003.
2000-60773-008	Purchase orders for the Community Development Block Grant Funds were not signed as approved by the Grant Coordinator.	No	Partially corrected. County implemented some approval processes. Item is reported in management letter.

SCIOTO COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-60773-001	The County is in the process of acquiring fixed asset software.	December 31, 2002	David Green, County Auditor
2001-60773-002	The Office of Program Services will now require invoices be filed by the vendors prior to funds being drawn down.	December 31, 2002	Rod Honaker, Program Manager
2001-60773-003	The Office of Program Services will use weekly time sheets showing amount of time worked on each specific project and separate costs of other items to show they are not paid for from CDBG funds.	December 31, 2002	Rod Honaker, Project Manager



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SCIOTO COUNTY FINANCIAL CONDITION

SCIOTO COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2002