



**Auditor of State
Betty Montgomery**

SCIOTO COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as mentioned in Note 3, during the year ended December 31, 2003, the County adopted GASB Statements 37 and 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2005, 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 describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 8, 2005

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2003
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Scioto County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2003.

FINANCIAL HIGHLIGHTS

The County's total net assets decreased \$1,248,608 during 2003. Net assets of governmental activities decreased \$1,864,812 (approximately four percent), mainly due to a combination of a reduction of revenue related to federal and state funding along with an increase in expenses related to public assistance. Net assets of business-type activities increased by \$616,204 (approximately ten percent), partly due to the receipt of federal and state grant monies to be used for capital improvements.

Business-type operations reflected operating income, since charges for services did keep up with expenses, while business-type unrestricted net assets totaled \$694,261.

Capital assets, net of depreciation, used in governmental activities increased \$1,702,691. This was mainly due to \$2,005,540 in additions of current year infrastructure assets.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column.

REPORTING THE COUNTY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the County as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if Scioto County is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to those net assets. This change informs the reader whether the County's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the County's financial well being. Some of these factors include the County's tax base, and the condition of capital assets.

SCIOTO COUNTY, OHIO
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In the Statement of Net Assets and the Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's services are reported here including general government, public safety, public works, health, human services, conservation and recreation, economic development and assistance, and transportation.

Business-Type Activities – These activities include fees for services that are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

The financial activities of STAR Inc. and the Southern Ohio Airport Authority, both component units of Scioto County, are presented in separate columns on the Statement of Net Assets and as separately identified activities on the Statement of Activities. While the County provides services and resources to both STAR Inc. and the Southern Ohio Airport Authority, these discrete presentations are made in order to emphasize that they are still legally separate organizations from Scioto County. However, focus on the government-wide financial statements remains clearly on Scioto County as the primary government.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Scioto County's major funds are General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, Children Services, and Sewer.

Governmental Funds – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental Fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.

Enterprise Funds – When the County charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. Enterprise Funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and						
Other Assets	\$23,358,534	\$26,912,981	\$1,149,152	\$2,262,211	\$24,507,686	\$29,175,192
Investment in						
Joint Venture	28,041	27,536	0	0	28,041	27,536
Capital Assets,						
Net of Depreciation	35,291,748	33,589,057	13,447,005	11,829,710	48,738,753	45,418,767
Total Assets	<u>58,678,323</u>	<u>60,529,574</u>	<u>14,596,157</u>	<u>14,091,921</u>	<u>73,274,480</u>	<u>74,621,495</u>
Liabilities						
Long-Term Liabilities						
Due within						
One Year	1,782,117	1,842,964	254,585	284,768	2,036,702	2,127,732
Due in More						
Than One Year	9,532,448	9,078,178	7,588,677	7,756,519	17,121,125	16,834,697
Current and Other						
Liabilities	6,658,251	7,038,113	317,492	231,435	6,975,743	7,269,548
Total Liabilities	<u>\$17,972,816</u>	<u>\$17,959,255</u>	<u>\$8,160,754</u>	<u>\$8,272,722</u>	<u>\$26,133,570</u>	<u>\$26,231,977</u>
Net Assets						
Invested in						
Capital Assets,						
Net of Related Debt	26,179,758	24,558,748	5,596,744	3,893,062	31,776,502	28,451,810
Restricted for:						
Debt Service	419,576	366,802	0	0	419,576	366,802
Other Purposes	11,728,107	15,189,851	0	0	11,728,107	15,189,851
Capital Outlay	34,058	246,445	0	0	34,058	246,445
Replacement and						
Improvements	0	0	40,000	40,000	40,000	40,000
Future Debt Service	0	0	104,398	99,764	104,398	99,764
Unrestricted	2,344,008	2,208,473	694,261	1,786,373	3,038,269	3,994,846
Total Net Assets	<u>\$40,705,507</u>	<u>\$42,570,319</u>	<u>\$6,435,403</u>	<u>\$5,819,199</u>	<u>\$47,140,910</u>	<u>\$48,389,518</u>

SCIOTO COUNTY, OHIO
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Cash and Cash Equivalents for the year decreased mainly due to an increase in cash expenditures. This relates to cash expenditures for additional public assistance programs, routine improvements to the human services facility, and cuts in federal and state funding related to the Mental Retardation and Developmental Disabilities fund. Due from Other Governments also decreased due to reductions in federal and state funding.

Invested in capital assets, net of related debt, increased mainly due to the addition of current year infrastructure assets. Net assets restricted for other purposes decreased due to increased program expenses and a reduction in federal and state funding for the Public Assistance and the Mental Retardation and Developmental Disabilities Programs.

The net assets of the County's business-type activities increased by \$616,204. This increase was due to the receipt of federal and state grant monies which are being used for current construction in progress. The County strives to control operating expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues:			
Charges for Services and Sales	\$5,978,286	\$2,079,013	\$8,057,299
Operating Grants, Contributions, and Interest	26,298,877	0	26,298,877
Capital Grants and Contributions	929,362	958,828	1,888,190
Total Program Revenues	33,206,525	3,037,841	36,244,366
General Revenues:			
Property Taxes	4,196,320	0	4,196,320
Sales Tax	8,250,582	0	8,250,582
Grants and Entitlements not Restricted to Specific Programs	1,372,006	0	1,372,006
Rent	323,921	0	323,921
Investment Earnings	165,624	5,176	170,800
Miscellaneous	935,347	0	935,347
Total General Revenues	15,243,800	5,176	15,248,976
Total Revenues	\$48,450,325	\$3,043,017	\$51,493,342

(Continued)

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
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Table 2
Changes in Net Assets
(Continued)

	Governmental Activities	Business-Type Activities	Total
Program Expenses			
General Government:			
Legislative and Executive	\$6,597,251	\$0	\$6,597,251
Judicial	2,600,466	0	2,600,466
Public Safety - Sheriff	3,700,186	0	3,700,186
Public Safety - Other	4,150,952	0	4,150,952
Public Works	4,052,122	0	4,052,122
Health	7,845,238	0	7,845,238
Human Services	18,639,921	0	18,639,921
Conservation and Recreation	395,659	0	395,659
Economic Development and Assistance	1,032,282	0	1,032,282
Transportation	757,139	0	757,139
Interest and Fiscal Charges	543,921	0	543,921
Sewer	0	2,426,813	2,426,813
Total Expenses	<u>50,315,137</u>	<u>2,426,813</u>	<u>52,741,950</u>
Increase (Decrease) in Net Assets	<u>(\$1,864,812)</u>	<u>\$616,204</u>	<u>(\$1,248,608)</u>

Governmental Activities

Operating grants, contributions, and interest restricted to specific programs is the largest source of revenue for Scioto County. This makes up approximately 54% of total governmental revenues for 2003. The major recipients of operating grants and contributions were the Public Assistance, the Board of Mental Retardation and Developmental Disabilities, and Children Services Programs.

Sales tax collected by the County comprised approximately 17% of total governmental revenues for 2003. Proceeds of the permissive sales tax are credited to the General Fund.

The County's direct charges to users of governmental services made up around 12% of total governmental revenues for 2003. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services (including public assistance and children services) programs accounted for approximately 37% of total expenses for governmental activities. Health programs (including MRDD) makes up approximately 16% of total expenses. Other major program expenses for governmental activities include public safety programs (mainly the sheriff and emergency management departments) which, in total, accounted for approximately 16% of total expenses.

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The County Commissioners have a quality of life commitment to the citizens and businesses located within the County. For example, the Commissioners continue to provide county-wide transportation through Access Scioto County, maintain infrastructure assets, such as roads and bridges, and finalized plans for the construction of a new jail to provide further safety for all citizens.

Business-Type Activities

The net assets for business-type activities increased by \$616,204 during 2003. Charges for services were the largest revenue source, accounting for over 68% of total business-type activities revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for both governmental and business-type activities. That is, it identifies the net cost of these services that must be supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made because they are not available.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
General Government:		
Legislative and Executive	\$6,597,251	(\$4,771,953)
Judicial	2,600,466	(1,453,699)
Public Safety:		
Sheriff	3,700,186	(2,522,774)
Other	4,150,952	(1,818,649)
Public Works	4,052,122	(149,266)
Health	7,845,238	(3,411,364)
Human Services	18,639,921	(2,371,435)
Conservation and Recreation	395,659	(265,888)
Economic Development and Assistance	1,032,282	(668,020)
Transportation	757,139	868,357
Interest and Fiscal Charges	543,921	(543,921)
Sewer	2,426,813	611,028
Total Expenses	\$52,741,950	(\$16,497,584)

As indicated above, human services and health programs provided to the County's citizenry is being emphasized. These costs are related to numerous programs involving public assistance to low-income individuals and families. Children services provide programs for the protection of children who are either abused or neglected. Health expenditures are primarily related to MRDD, which provides educational and work-related programs for mentally handicapped children and adults.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
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THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$49,804,836 and expenditures of \$52,901,541.

The General Fund balance increased by \$303,553. This increase was due primarily to the repayment of outstanding advances owed to the General fund from other County funds and departments.

The Public Assistance Fund balance decreased \$825,068. This decrease was mainly due to the offering of additional public assistance programs and routine improvements to the human services facility.

The Motor Vehicle Gas Tax Fund balance increased \$201,658. This increase was due primarily to the annual transfer of sales tax monies receipted into the General Fund and the transfer of FEMA monies related to the clean-up of an ice storm. These transfers totaled \$657,187. Had the transfers not been made, the fund balance would have decreased \$455,529 mainly due to additional costs related to the clean up of the ice storm.

The Board of Mental Retardation and Developmental Disabilities Fund balance decreased \$976,980 due to reductions in federal and state funding.

The Children Services Fund balance decreased \$182,734 mainly due to salary and benefit increases with no significant increase in funding.

The Sewer Fund reflects operating income for 2003. Charges for services for sewer utilities have historically been established to ensure that on a cash basis, fees are adequate to cover operations. The County Commissioners have set fees with the intention of funding operating costs and debt service.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. Before the budget is adopted, the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopt the budget at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

During 2003, there were numerous revisions to the General Fund original budget. The effect of the revisions included a decrease in budgeted revenues of \$191,421 and increase in appropriations of \$640,469.

Original General Fund budgeted revenues were \$13,494,661. The final budgeted amount was \$13,303,240. The majority of the decrease was due to a slight decrease in sales tax estimated revenue. Total budgeted expenditures increased \$640,469 from \$12,588,194 to \$13,228,663. This increase was due primarily to an increase in programs related the Probate and Juvenile Courts and the purchase of equipment in the Common Pleas Court.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities	
	Restated		Restated	
	2003	2002	2003	2002
Land	\$1,832,506	\$1,832,506	\$0	\$0
Construction in Progress	428,266	45,560	2,144,915	163,841
Land Improvements	10,203	11,903	0	0
Buildings and Building Improvements	28,953,348	29,538,156	5,289,425	5,434,144
Furniture, Fixtures, and Equipment	846,658	760,543	125,483	223,453
Vehicles	1,319,069	1,400,389	25,680	33,058
Infrastructure	1,901,698	0	5,861,502	5,975,214
Totals	\$35,291,748	\$33,589,057	\$13,447,005	\$11,829,710

The increase in infrastructure in the governmental activities was the result of the County adding \$2,005,540 in roads, bridges, and other infrastructure assets during 2003. The increase in construction in progress is due to the commencement of construction on the County's new jail. See Note 10 of the notes to the basic financial statements for more detailed capital asset information.

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Management's Discussion and Analysis
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Debt

At December 31, 2003, Scioto County had \$17,129,826 in debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
General Obligation Bonds	\$7,938,903	\$8,369,639	\$2,954,475	\$3,073,008
Mortgage Revenue				
Bonds Payable	0	0	220,000	245,000
FHA Bonds Payable	0	0	3,243,186	3,285,347
Loans Payable	66,550	72,685	150,175	158,293
Bond Anticipation				
Notes Payable	1,007,000	807,000	1,200,000	1,200,000
Capital Leases	349,537	337,985	0	0
Totals	<u>\$9,361,990</u>	<u>\$9,587,309</u>	<u>\$7,767,836</u>	<u>\$7,961,648</u>

The Human Services Bond is being paid with monies received from the County's Human Services department. The Airport Facilities Bond is being paid from monies received from the Scioto County Airport Authority. The Shelton Industries bonds are paid from general revenues of the County. The Various Purpose and Juvenile Detention Center bonds are both being paid with tax monies received into the General Fund and then transferred to the Debt Service Fund.

The loans payable will be paid from the Mental Retardation and Developmental Disabilities Special Revenue Fund. The Human Services Building Bond Anticipation Notes in the amount of \$240,000 will be paid from the Bond Retirement Debt Service Fund with monies received within the human services department.

Obligations under capital leases for equipment and vehicles will be paid from the General Fund and numerous Special Revenue Funds.

The County's overall legal debt margin was \$13,127,406 as of December 31, 2003. The more restrictive unvoted legal debt margin was \$2,994,808 as of the same date. See Note 17 of the notes to the basic financial statements for more detailed information.

The debt outstanding in the Sewer Enterprise Fund will be paid from the fund's operating revenues.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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CURRENT ISSUES

In past years, Scioto County has been fortunate to have a number of commercial and industrial developments that promise to provide a positive economic effect on the County. Among these is the announcement by the United States Enrichment Corporation (USEC) about the addition of the American Centrifuge Plant located in Pike County. Although not located within Scioto County, many residents are employed at the current facility.

The Haverhill North Coke Plant is currently involved in the first phase of construction on a new production facility in eastern Scioto County. The project represents an investment of \$285 million and will provide additional employment for County residents.

Scioto County has other commercial ventures that are or have made commitments to construct new facilities within the County. Among these commitments is the new emergency room addition to the Southern Ohio Medical Center along with the start of construction on a new cancer center. Walmart is also committed to the construction of a new Walmart Superstore to be located in New Boston.

Finally, the County has begun construction on a new county jail which will afford the County the ability to handle the local jail population as well as lease available space to neighboring counties.

CONTACTING THE COUNTY AUDITOR'S OFFICE

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact David L. Green, County Auditor, Scioto County, 602 Seventh Street, Room 103, Portsmouth, Ohio 45662.

SCIOTO COUNTY, OHIO
Statement of Net Assets
December 31, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	STAR Inc.	Scioto County Airport Authority
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$10,611,768	\$369,075	\$10,980,843	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	54,804	49,121	103,925	213,997	103,150
Materials and Supplies Inventory	235,125	1,944	237,069	5,155	0
Accrued Interest Receivable	118	0	118	0	11
Accounts Receivable	24,197	436,782	460,979	25,140	6,383
Prepaid Items	135,052	9,053	144,105	0	0
Cash and Cash Equivalents With Trustee	265,931	144,398	410,329	0	0
Sales Taxes Receivable	1,285,781	0	1,285,781	0	0
Taxes Receivable	4,221,493	0	4,221,493	0	0
Due From Other Governments	5,566,582	62,771	5,629,353	0	368,207
Loans Receivable	957,683	0	957,683	0	0
Deferred Charges	0	76,008	76,008	0	0
Investment in Joint Venture	28,041	0	28,041	0	0
Capital Assets:					
Land and Construction in Progress	2,260,772	2,144,915	4,405,687	0	0
Depreciable Capital Assets, Net	33,030,976	11,302,090	44,333,066	64,036	0
Total Assets	58,678,323	14,596,157	73,274,480	308,328	477,751
<u>Liabilities:</u>					
Accounts Payable	733,580	27,912	761,492	4,225	61
Contracts Payable	436,373	38,232	474,605	0	56,016
Accrued Wages and Benefits Payable	356,414	5,445	361,859	8,186	0
Due To Other Governments	923,153	20,801	943,954	5,138	0
Accrued Interest Payable	79,441	137,068	216,509	0	0
Matured Compensated Absences Payable	38,557	0	38,557	0	0
Retainage Payable	52,650	88,034	140,684	0	2,477
Deferred Revenue	4,038,083	0	4,038,083	0	0
Long-Term Liabilities:					
Due Within One Year	1,782,117	254,585	2,036,702	10,308	0
Due in More Than One Year	9,532,448	7,588,677	17,121,125	23,229	0
Total Liabilities	17,972,816	8,160,754	26,133,570	51,086	58,554
<u>Net Assets:</u>					
Invested in Capital Assets, Net of Related Debt	26,179,758	5,596,744	31,776,502	64,036	0
Restricted for:					
Debt Service	419,576	0	419,576	0	0
Capital Projects	34,058	0	34,058	0	0
Other Purposes	11,728,107	0	11,728,107	0	0
Replacement and Improvements	0	40,000	40,000	0	0
Future Debt Service	0	104,398	104,398	0	0
Unrestricted	2,344,008	694,261	3,038,269	193,206	419,197
Total Net Assets	\$40,705,507	\$6,435,403	\$47,140,910	\$257,242	\$419,197

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General Government:				
Legislative and Executive	\$6,597,251	\$1,815,298	\$10,000	\$0
Judicial	2,600,466	1,145,617	1,150	0
Public Safety:				
Sheriff	3,700,186	1,130,327	47,085	0
Other	4,150,952	851,313	1,480,990	0
Public Works	4,052,122	52,011	3,850,845	0
Health	7,845,238	200,039	4,233,835	0
Human Services	18,639,921	329,752	15,938,734	0
Conservation and Recreation	395,659	5,495	32,338	91,938
Economic Development and Assistance	1,032,282	5,500	358,762	0
Transportation	757,139	442,934	345,138	837,424
Interest and Fiscal Charges	543,921	0	0	0
<i>Total Governmental Activities</i>	50,315,137	5,978,286	26,298,877	929,362
<u>Business-Type Activities:</u>				
Sewer	2,426,813	2,079,013	0	958,828
Total Primary Government	\$52,741,950	\$8,057,299	\$26,298,877	\$1,888,190
<u>Component Units:</u>				
STAR Inc.	454,812	355,705	85,031	0
Scioto County Airport Authority	240,351	76,119	0	171,870
<i>Total Component Unit Activities</i>	\$695,163	\$431,824	\$85,031	\$171,870

General Revenues:

Property and Other Local Taxes Levied for:
 General Purposes
 Other Purposes
Sales Tax
Grants and Entitlements not Restricted to Specific Programs
Rent
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	STAR Inc.	Scioto County Airport Authority	
(\$4,771,953)	\$0	(\$4,771,953)	\$0	\$0	\$0
(1,453,699)	0	(1,453,699)	0	0	0
(2,522,774)	0	(2,522,774)	0	0	0
(1,818,649)	0	(1,818,649)	0	0	0
(149,266)	0	(149,266)	0	0	0
(3,411,364)	0	(3,411,364)	0	0	0
(2,371,435)	0	(2,371,435)	0	0	0
(265,888)	0	(265,888)	0	0	0
(668,020)	0	(668,020)	0	0	0
868,357	0	868,357	0	0	0
(543,921)	0	(543,921)	0	0	0
(17,108,612)	0	(17,108,612)	0	0	0
0	611,028	611,028	0	0	0
(17,108,612)	611,028	(16,497,584)	0	0	0
0	0	0	(14,076)	0	0
0	0	0	0	7,638	7,638
0	0	0	(14,076)	7,638	7,638
1,448,056	0	1,448,056	0	0	0
2,748,264	0	2,748,264	0	0	0
8,250,582	0	8,250,582	0	0	0
1,372,006	0	1,372,006	0	0	0
323,921	0	323,921	0	0	0
165,624	5,176	170,800	789	79	79
935,347	0	935,347	3,294	198	198
15,243,800	5,176	15,248,976	4,083	277	277
(1,864,812)	616,204	(1,248,608)	(9,993)	7,915	7,915
42,570,319	5,819,199	48,389,518	267,235	411,282	411,282
\$40,705,507	\$6,435,403	\$47,140,910	\$257,242	\$419,197	\$419,197

SCIOTO COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2003

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,308,601	\$1,462,705	\$1,121,529
Cash and Cash Equivalents in Segregated Accounts	6,873	8,220	0
Receivables:			
Sales Taxes	1,285,781	0	0
Property and Other Local Taxes	1,473,394	0	0
Accounts	13,271	0	209
Accrued Interest	118	0	0
Interfund	170,418	70,961	0
Due from Other Governments	950,012	490,934	2,066,046
Prepaid Items	75,965	16,824	20,349
Materials and Supplies Inventory	9,632	13,633	191,190
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Trustee	0	0	0
 <i>Total Assets</i>	 <u>\$5,294,065</u>	 <u>\$2,063,277</u>	 <u>\$3,399,323</u>
 <u>Liabilities:</u>			
Accounts Payable	\$302,844	\$247,257	\$66,633
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	83,652	54,778	91,349
Due to Other Governments	258,539	201,144	75,491
Interfund Payable	16,688	134,939	0
Retainage Payable	0	0	0
Matured Compensated Absences Payable	21,526	0	17,031
Accrued Interest Payable	1,749	0	0
Deferred Revenue	2,146,603	90,418	1,794,366
 <i>Total Liabilities</i>	 <u>2,831,601</u>	 <u>728,536</u>	 <u>2,044,870</u>
 <u>Fund Balances:</u>			
Reserved for Encumbrances	\$188,281	\$92,568	\$219,455
Reserved for Unclaimed Monies	135,077	0	0
Reserved for Loans Receivable	0	0	0
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	2,139,106	0	0
Special Revenue Funds	0	1,242,173	1,134,998
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
 <i>Total Fund Balances</i>	 <u>2,462,464</u>	 <u>1,334,741</u>	 <u>1,354,453</u>
 <i>Total Liabilities and Fund Balances</i>	 <u>\$5,294,065</u>	 <u>\$2,063,277</u>	 <u>\$3,399,323</u>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Other Governmental Funds	Total Governmental Funds
\$1,031,372	\$1,642,522	\$4,045,039	\$10,611,768
0	134	39,577	54,804
0	0	0	1,285,781
1,836,229	563,090	348,780	4,221,493
110	0	10,607	24,197
0	0	0	118
0	77,323	63,243	381,945
346,336	666,308	1,046,946	5,566,582
12,839	6,647	2,428	135,052
870	1,080	18,720	235,125
0	0	957,683	957,683
0	0	265,931	265,931
<u>\$3,227,756</u>	<u>\$2,957,104</u>	<u>\$6,798,954</u>	<u>\$23,740,479</u>
\$25,153	\$37,344	\$54,349	\$733,580
20,920	0	415,453	436,373
52,182	34,343	40,110	356,414
189,792	53,154	145,033	923,153
0	1,035	229,283	381,945
0	0	52,650	52,650
0	0	0	38,557
0	0	148	1,897
2,024,278	1,029,287	846,390	7,931,342
<u>2,312,325</u>	<u>1,155,163</u>	<u>1,783,416</u>	<u>10,855,911</u>
\$65,356	\$20,316	\$126,242	\$712,218
0	0	0	135,077
0	0	957,683	957,683
0	0	0	2,139,106
850,075	1,781,625	3,477,979	8,486,850
0	0	419,576	419,576
0	0	34,058	34,058
<u>915,431</u>	<u>1,801,941</u>	<u>5,015,538</u>	<u>12,884,568</u>
<u>\$3,227,756</u>	<u>\$2,957,104</u>	<u>\$6,798,954</u>	<u>\$23,740,479</u>

SCIOTO COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2003

Total Governmental Fund Balances \$12,884,568

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

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

Land	\$1,832,506	
Construction in progress	428,266	
Other depreciable capital assets	45,922,625	
Accumulated depreciation	<u>(12,891,649)</u>	
Total capital assets		35,291,748

The County also has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 28,041

Some of the County's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$444,595	
Intergovernmental	<u>3,448,664</u>	
		3,893,259

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

Bonds payable	(\$7,938,903)	
Notes payable	(1,007,000)	
Loans payable	(66,550)	
Accrued interest payable	(77,544)	
Capital leases payable	(349,537)	
Compensated absences	<u>(1,952,575)</u>	
Total liabilities		<u>(11,392,109)</u>

Net Assets of Governmental Activities \$40,705,507

See Accompanying Notes to the Basic Financial Statements

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SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Revenues:</u>			
Property and Other Local Taxes	\$1,435,503	\$0	\$0
Sales Tax	8,250,582	0	0
Intergovernmental	1,362,772	10,822,495	3,852,501
Charges for Services	1,642,448	79,181	13,153
Licenses and Permits	56,777	0	0
Fines and Forfeitures	240,825	0	38,858
Interest	154,514	0	8,554
Rent	4,990	0	0
Contributions and Donations	0	0	0
Miscellaneous	552,726	11,555	143,909
Total Revenues	13,701,137	10,913,231	4,056,975
<u>Expenditures:</u>			
Current:			
General Government			
Legislative and Executive	5,641,969	0	0
Judicial	2,181,985	0	0
Public Safety			
Sheriff	2,811,559	0	0
Other	335,855	0	0
Public Works	218,841	0	4,512,504
Health	310,575	0	0
Human Services	309,157	12,043,198	0
Conservation and Recreation	223,640	0	0
Economic Development and Assistance	96,028	0	0
Transportation	0	0	0
Miscellaneous	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	229,614	4,084	0
Interest and Fiscal Charges	33,186	674	0
Total Expenditures	12,392,409	12,047,956	4,512,504
Excess of Revenues Over/ (Under) Expenditures	1,308,728	(1,134,725)	(455,529)
<u>Other Financing Sources (Uses):</u>			
Note Proceeds	517,000	0	0
Inception of Capital Lease	253,545	0	0
Transfers In	338,086	309,657	657,187
Transfers Out	(2,113,806)	0	0
Total Other Financing Sources (Uses)	(1,005,175)	309,657	657,187
Net Change in Fund Balances	303,553	(825,068)	201,658
Fund Balances Beginning of Year - Restated (See Note 3)	2,158,911	2,159,809	1,152,795
Fund Balances End of Year	\$2,462,464	\$1,334,741	\$1,354,453

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Other Governmental Funds	Total Governmental Funds
\$1,947,550	\$571,009	\$205,962	\$4,160,024
0	0	0	8,250,582
5,162,292	2,431,651	6,326,837	29,958,548
167,053	77,323	3,442,470	5,421,628
0	0	30,781	87,558
0	0	183,922	463,605
802	0	1,754	165,624
0	0	323,921	328,911
21,600	7,209	4,200	33,009
38,394	5,414	183,349	935,347
<u>7,337,691</u>	<u>3,092,606</u>	<u>10,703,196</u>	<u>49,804,836</u>
0	0	876,064	6,518,033
0	0	387,654	2,569,639
0	0	856,892	3,668,451
0	0	3,578,451	3,914,306
0	0	0	4,731,345
7,061,897	0	302,013	7,674,485
1,216,281	3,275,340	1,743,802	18,587,778
0	0	70,355	293,995
0	0	939,046	1,035,074
0	0	836,084	836,084
0	0	0	0
20,920	0	1,562,055	1,582,975
17,003	0	688,516	939,217
5,210	0	511,089	550,159
<u>8,321,311</u>	<u>3,275,340</u>	<u>12,352,021</u>	<u>52,901,541</u>
<u>(983,620)</u>	<u>(182,734)</u>	<u>(1,648,825)</u>	<u>(3,096,705)</u>
0	0	490,000	1,007,000
6,640	0	3,713	263,898
0	0	1,559,297	2,864,227
0	0	(750,421)	(2,864,227)
<u>6,640</u>	<u>0</u>	<u>1,302,589</u>	<u>1,270,898</u>
(976,980)	(182,734)	(346,236)	(1,825,807)
<u>1,892,411</u>	<u>1,984,675</u>	<u>5,361,774</u>	<u>14,710,375</u>
<u>\$915,431</u>	<u>\$1,801,941</u>	<u>\$5,015,538</u>	<u>\$12,884,568</u>

SCIOTO COUNTY, OHIO
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds (\$1,825,807)

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

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

Capital asset additions	\$2,565,824	
Construction in progress additions	501,316	
Depreciation expense	<u>(1,361,809)</u>	
Excess of capital outlay over depreciation expense		1,705,331

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Loss on disposal of capital assets		(2,640)
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Because some revenues will not be collected for several months after the County's year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	\$36,296	
Intergovernmental	<u>(1,391,312)</u>	
		(1,355,016)

Increase in the County's equity portion of the joint venture. 505

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Proceeds of bond anticipation notes		(1,007,000)
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Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(263,898)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement	\$6,135	
Bond payments	430,736	
Bond anticipation notes payment	250,000	
Capital lease payments	<u>252,346</u>	
Total long-term debt repayment		939,217

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

Increase in compensated absences payable	(\$61,742)	
Decrease in accrued interest	<u>6,238</u>	
Total (increase)/decrease		<u>(55,504)</u>

Change in Net Assets of Governmental Activities (\$1,864,812)

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<u>Revenues:</u>				
Property and Other Local Taxes	\$1,460,000	\$1,221,780	\$1,435,503	\$213,723
Sales Tax	9,019,412	8,350,000	8,320,979	(29,021)
Intergovernmental	538,162	1,438,220	1,350,349	(87,871)
Charges for Services	1,659,690	1,536,509	1,684,669	148,160
Licenses and Permits	46,339	42,900	56,937	14,037
Fines and Forfeitures	362,937	336,000	244,876	(91,124)
Interest	270,604	250,520	154,751	(95,769)
Rent	9,505	5,000	4,990	(10)
Miscellaneous	128,012	122,311	425,375	303,064
Total Revenues	13,494,661	13,303,240	13,678,429	375,189
<u>Expenditures:</u>				
Current:				
General Government				
Legislative and Executive	5,992,832	5,589,497	5,446,804	142,693
Judicial	1,717,442	2,331,517	2,253,536	77,981
Public Safety				
Sheriff	2,707,358	2,944,741	2,928,326	16,415
Other	354,505	414,432	408,503	5,929
Public Works	455,000	284,225	229,641	54,584
Health	323,029	356,814	314,274	42,540
Human Services	727,790	428,718	332,206	96,512
Conservation and Recreation	136,208	171,655	165,325	6,330
Economic Development and Assistance	102,885	103,919	95,375	8,544
Debt Service:				
Principal Retirement	40,736	577,736	562,736	15,000
Interest and Fiscal Charges	30,409	25,409	15,267	10,142
Total Expenditures	12,588,194	13,228,663	12,751,993	476,670
Excess of Revenues Over Expenditures	906,467	74,577	926,436	851,859
<u>Other Financing Sources (Uses):</u>				
Proceeds of Notes	0	517,930	517,000	(930)
Advances-In	0	0	225,282	225,282
Advances-Out	0	0	(296,327)	(296,327)
Transfers - In	0	424,405	338,086	(86,319)
Transfers - Out	(1,660,000)	(2,211,000)	(2,168,354)	42,646
Total Other Financing Sources (Uses)	(1,660,000)	(1,268,665)	(1,384,313)	(115,648)
Net Changes in Fund Balance	(753,533)	(1,194,088)	(457,877)	736,211
Fund Balances at Beginning of Year	947,541	947,541	947,541	0
Prior Year Encumbrances Appropriated	328,827	328,827	328,827	0
Fund Balances at End of Year	\$522,835	\$82,280	\$818,491	\$736,211

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Public Assistance Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Intergovernmental	\$11,073,575	\$10,397,011	\$11,189,271	\$792,260
Miscellaneous	0	1,500	0	(1,500)
<i>Total Revenues</i>	11,073,575	10,398,511	11,189,271	790,760
<u>Expenditures:</u>				
Current:				
Human Services	16,579,303	12,775,739	12,353,572	422,167
Excess of Revenues Over (Under) Expenditures	(5,505,728)	(2,377,228)	(1,164,301)	1,212,927
<u>Other Financing Sources:</u>				
Transfers - In	388,615	388,615	309,657	(78,958)
Net Changes in Fund Balance	(5,117,113)	(1,988,613)	(854,644)	1,133,969
Fund Balances at Beginning of Year	1,757,838	1,757,838	1,757,838	0
Prior Year Encumbrances Appropriated	230,775	230,775	230,775	0
Fund Balances (Deficit) at End of Year	<u>(\$3,128,500)</u>	<u>\$0</u>	<u>\$1,133,969</u>	<u>\$1,133,969</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Motor Vehicle Gas Tax Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Intergovernmental	\$3,609,852	\$3,387,000	\$3,823,760	\$436,760
Charges for Services	4,395	4,124	7,464	3,340
Fines and Forfeitures	53,290	50,000	38,681	(11,319)
Interest	10,658	10,000	9,423	(577)
Miscellaneous	67,145	63,000	145,429	82,429
<i>Total Revenues</i>	3,745,340	3,514,124	4,024,757	510,633
<u>Expenditures:</u>				
Current:				
Public Works	4,315,000	5,165,963	4,703,106	462,857
Excess of Revenues Over/ (Under) Expenditures	(569,660)	(1,651,839)	(678,349)	973,490
<u>Other Financing Sources:</u>				
Transfers - In	0	873,340	657,187	(216,153)
Net Changes in Fund Balance	(569,660)	(778,499)	(21,162)	757,337
Fund Balances at Beginning of Year	731,124	731,124	731,124	0
Prior Year Encumbrances Appropriated	126,383	126,383	126,383	0
Fund Balances at End of Year	<u>\$287,847</u>	<u>\$79,008</u>	<u>\$836,345</u>	<u>\$757,337</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Board of Mental Retardation and Developmental Disabilities Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property and Other Local Taxes	\$2,100,000	\$1,914,993	\$1,947,550	\$32,557
Intergovernmental	5,730,777	5,061,515	5,420,249	358,734
Charges for Services	135,867	120,000	160,056	40,056
Interest	2,831	2,500	900	(1,600)
Contributions and Donations	25,122	22,188	21,600	(588)
Miscellaneous	33,591	29,668	39,034	9,366
<i>Total Revenues</i>	<u>8,028,188</u>	<u>7,150,864</u>	<u>7,589,389</u>	<u>438,525</u>
<u>Expenditures:</u>				
Current:				
Health	6,122,597	7,198,825	7,103,352	95,473
Human Services	2,608,804	1,583,013	1,222,457	360,556
Debt Service:				
Principal Retirement	6,135	6,135	6,135	0
Interest and Fiscal Charges	2,409	2,409	2,409	0
<i>Total Expenditures</i>	<u>8,739,945</u>	<u>8,790,382</u>	<u>8,334,353</u>	<u>456,029</u>
Net Changes in Fund Balance	(711,757)	(1,639,518)	(744,964)	894,554
Fund Balances at Beginning of Year	1,645,037	1,645,037	1,645,037	0
Prior Year Encumbrances Appropriated	<u>62,255</u>	<u>62,255</u>	<u>62,255</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$995,535</u></u>	<u><u>\$67,774</u></u>	<u><u>\$962,328</u></u>	<u><u>\$894,554</u></u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Children Services Special Revenue Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property and Other Local Taxes	\$610,000	\$538,240	\$571,009	\$32,769
Intergovernmental	3,369,134	2,598,386	2,570,066	(28,320)
Contributions and Donations	1,945	1,500	7,209	5,709
Miscellaneous	26,192	20,200	10,042	(10,158)
Total Revenues	4,007,271	3,158,326	3,158,326	0
<u>Expenditures:</u>				
Current:				
Human Services	3,585,605	3,649,915	3,296,597	353,318
Net Changes in Fund Balance	421,666	(491,589)	(138,271)	353,318
Fund Balances at Beginning of Year	1,665,099	1,665,099	1,665,099	0
Prior Year Encumbrances Appropriated	60,709	60,709	60,709	0
Fund Balances at End of Year	<u>\$2,147,474</u>	<u>\$1,234,219</u>	<u>\$1,587,537</u>	<u>\$353,318</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Assets
Enterprise Fund
December 31, 2003

	<i>Sewer</i>	<i>STAR Inc.</i>	<i>Airport Authority</i>	<i>Reporting Entity</i>
<u>Assets:</u>				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$369,075	\$0	\$0	\$369,075
Cash and Cash Equivalents in Segregated Accounts	49,121	213,997	103,150	366,268
Materials and Supplies Inventory	1,944	5,155	0	7,099
Accounts Receivable	436,782	25,140	6,383	468,305
Due From Other Governments	62,771	0	368,207	430,978
Prepaid Items	9,053	0	0	9,053
Total Current Assets	928,746	244,292	477,751	1,650,789
<u>Non-Current Assets:</u>				
Restricted Assets:				
Cash and Cash Equivalents with Trustee	144,398	0	0	144,398
Deferred Charges	76,008	0	0	76,008
Capital Assets:				
Land and Construction in Progress	2,144,915	0	0	2,144,915
Depreciable Capital Assets, Net	11,302,090	64,036	0	11,366,126
Total Non-Current Assets	13,667,411	64,036	0	13,731,447
Total Assets	14,596,157	308,328	477,751	15,382,236
<u>Liabilities:</u>				
<u>Current Liabilities:</u>				
Accounts Payable	27,912	4,225	61	32,198
Contracts Payable	38,232	0	56,016	94,248
Accrued Wages and Benefits Payable	5,445	5,138	0	10,583
Due To Other Governments	20,801	0	0	20,801
Accrued Interest Payable	135,119	0	0	135,119
Retainage Payable	88,034	0	2,477	90,511
General Obligation Bonds Payable	135,293	0	0	135,293
Current Liabilities Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	25,000	0	0	25,000
Accrued Interest Payable	1,949	0	0	1,949
Farmer's Home Administration Bonds Payable	44,092	0	0	44,092
Ohio Public Works Commission Loans Payable	8,118	0	0	8,118
Compensated Absences Payable	42,082	0	0	42,082
Total Current Liabilities	572,077	19,134	58,554	649,765
<u>Long-Term Liabilities (Net of Current Portion):</u>				
General Obligation Bonds Payable	2,819,182	0	0	2,819,182
Long-Term Liabilities Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable	195,000	0	0	195,000
Farmer's Home Administration Bonds Payable	3,199,094	0	0	3,199,094
Ohio Public Works Commission Loans Payable	142,057	0	0	142,057
Wastewater Treatment Bond Anticipation Note Payable	1,200,000	0	0	1,200,000
Compensated Absences Payable	33,344	0	0	33,344
Total Long-Term Liabilities	7,588,677	20,731	0	7,609,408
Total Liabilities	8,160,754	39,865	58,554	8,259,173
<u>Net Assets:</u>				
Invested in Capital Assets, Net of Related Debt	5,596,744	0	0	5,596,744
Restricted for:				
Replacement and Improvements	40,000	0	0	40,000
Future Debt Service	104,398	0	0	104,398
Unrestricted	694,261	268,463	419,197	1,381,921
Total Net Assets	\$6,435,403	\$268,463	\$419,197	\$7,123,063

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenses
And Changes in Fund Net Assets
Enterprise Fund
For the Year Ended December 31, 2003

	<u>Sewer</u>	<u>STAR Inc.</u>	<u>Airport Authority</u>	<u>Reporting Entity</u>
<u>Operating Revenues:</u>				
Charges for Services	\$2,079,013	355,705	76,119	2,510,837
<u>Operating Expenses:</u>				
Personal Services	600,469	386,318	712	987,499
Fringe Benefits	173,243	1,571	0	174,814
Contractual Services	562,233	17,776	222,919	802,928
Materials and Supplies	362,835	16,165	7,948	386,948
Depreciation	363,779	14,591	0	378,370
Other	7,906	5,907	220	14,033
<i>Total Operating Expenses</i>	<u>2,070,465</u>	<u>442,328</u>	<u>231,799</u>	<u>2,744,592</u>
Operating Income	<u>8,548</u>	<u>1,702</u>	<u>(155,482)</u>	<u>(145,232)</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	5,176	789	79	6,044
Interest and Fiscal Charges	(356,348)	(1,263)	(8,552)	(366,163)
Capital Contributions	958,828	0	171,870	1,130,698
<i>Total Non-Operating Revenues (Expenses)</i>	<u>607,656</u>	<u>(474)</u>	<u>163,397</u>	<u>770,579</u>
<i>Net Income</i>	616,204	1,228	7,915	625,347
<i>Net Assets At Beginning of Year - Restated (Note 3)</i>	<u>5,819,199</u>	<u>267,235</u>	<u>411,282</u>	<u>6,497,716</u>
<i>Net Assets At End of Year</i>	<u><u>\$6,435,403</u></u>	<u><u>\$268,463</u></u>	<u><u>\$419,197</u></u>	<u><u>\$7,123,063</u></u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2003

	<i>Sewer</i>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$2,022,038
Cash Payments to Suppliers for Goods and Services	(962,780)
Cash Payments to Employees for Services	(596,739)
Cash Payments for Employee Benefits	(173,243)
Cash Payments for Other Operating Expenses	(7,906)
<i>Net Cash Provided by Operating Activities</i>	281,370
<u>Cash Flows from Noncapital Financing Activities:</u>	
Capital Grants Received	896,057
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Notes	1,200,000
Acquisition of Capital Assets	(1,865,972)
Principal paid on Bonds, Notes and Loans	(1,405,129)
Interest paid on Bonds, Notes and Loans	(338,858)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(2,409,959)
<u>Cash Flows from Investing Activities:</u>	
Interest Income	5,176
<i>Net Decrease in Cash and Cash Equivalents</i>	(1,227,356)
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,789,950
<i>Cash and Cash Equivalents at End of Year</i>	\$562,594
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$8,548
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>	
Depreciation	363,779
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(56,975)
Decrease in Prepaid Items	20
Decrease in Accounts Payable	(16,105)
Decrease in Compensated Absences Payable	(4,213)
Decrease in Intergovernmental Payable	(15,091)
Increase in Accrued Wages Payable	1,407
Total Adjustments	272,822
<i>Net Cash Provided by Operating Activities</i>	\$281,370

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

Assets:

Equity in Pooled Cash and Cash Equivalents	\$3,987,604
Cash and Cash Equivalents in Segregated Accounts	383,146
Receivables:	
Property and Other Local Taxes	28,638,883
Accounts	904,989
Due from Other Governments	<u>4,572,792</u>
<i>Total Assets</i>	<u><u>\$38,487,414</u></u>

Liabilities:

Current Liabilities:

Due to Other Governments	\$34,090,394
Undistributed Monies	<u>4,397,020</u>
<i>Total Liabilities</i>	<u><u>\$38,487,414</u></u>

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Scioto County, this includes the Children Services Board, the Scioto County Board of Mental Retardation and Developmental Disabilities, and all departments and activities that are directly operated by the elected County officials. The following activities have been included in the County's basic financial statements:

Scioto County Planning Commission
Scioto County Litter Control and Recycling
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
STAR Community Justice Center- July 1 to December 31, 2003

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 a Related Organization. These organizations are presented in Notes 19, 20, and 21 to the Basic Financial Statements. These organizations are:

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Service Board
Ohio Valley Resource Conservation and Development Area, Inc.
Workforce Investment Board
Ohio Valley Regional Development Commission
Scioto County Community Action Organization
Southern Ohio Development Initiative
Portsmouth Metropolitan Housing Authority
Joint Solid Waste District

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

County Risk Sharing Authority (CORSA)
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program
Southern Ohio Port Authority

Discretely Presented Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the County in that the County approves the organization's budget, the issuance of its debt or levying of its taxes.

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

STAR, Inc.

STAR, Inc. is a non-profit organization which 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 calendar year ending December 31. Separately issued financial statements can be obtained from STAR, Inc., located at 2625 Gallia Street, Portsmouth, Ohio 45662.

Scioto County Airport Authority

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 hangers. Financial statements are audited and issued as part of Scioto County and are not obtainable separately.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Scioto County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standard Board Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The County does not apply FASB Statements issued after November 30, 1989, to its business-type activities or enterprise fund. The most significant of the County's accounting policies are described below.

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

Fund Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major Governmental Funds:

General Fund – This fund accounts 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.

Public Assistance – This fund accounts for various federal and state resources which are used to provide public assistance to general relief recipients, pay their providers for medical assistance, and for certain public social services.

Motor Vehicle Gas Tax – This fund accounts for revenues derived from motor vehicle licenses and gasoline taxes. Ohio state law restricts these monies to be used for county road and bridge repair and improvement programs. This fund also accounts for the financial activities of the Scioto County Engineering Department.

Board of Mental Retardation and Developmental Disabilities – This fund accounts for the operation of a school and provides assistance to a workshop for the mentally retarded and developmentally disabled. A county-wide property tax levy, along with federal and state grants, provides the revenues for this fund.

Children Services – This fund accounts for monies received from federal and state grants, the Social Security Administration, and various other resources. The fund makes expenditures to support foster homes, medical treatment, school supplies, counseling, and parental assistance.

The other Governmental Funds of the County account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The County's proprietary fund is an enterprise fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's only enterprise fund:

Sewer Fund – This fund is used to account for the provision of sanitary sewer service to the residents of the County.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees that are collected by the County then re-distributed to other governmental entities.

Component Units

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

Measurement Focus and Basis of Accounting

A. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities, except for those of fiduciary funds, associated with the operation of the County are included on the Statement on Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

B. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; enterprise and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 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 sales occur. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (see Note 8), state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), federal and state subsidies and grants, accounts (i.e. charges for services and licenses and permits), rent, and accrued interest.

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioner's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners. The County reports unbudgeted activity on the financial statements due to the County's unclaimed monies fund being classified as an agency fund on the County's books, but is included with the General fund for GAAP reporting purposes.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Commissioners. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts set forth in the final budget column represent estimates from the amended certificate in force at the time final appropriations were passed by the County Commissioners.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Cash and Cash Equivalents" in the financial statements. Cash and cash equivalents that are held separately by the component units and 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 held in this account is presented as "Cash and Cash Equivalents with Trustee."

During the year, the County's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio), repurchase agreements, and certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2003 amounted to \$154,514, which includes \$145,652 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets are those limited to future debt payments and for the replacement and improvement of capital assets originally acquired with bond proceeds. 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 Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “interfund receivables/payables.” Interfund balances are eliminated on the governmental-wide Statement of Net Assets except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances.”

Capital Assets

General capital assets are capital assets that are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column of the government-wide Statement of Net Assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed.

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

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

The County’s governmental infrastructure systems consist of roads and bridges (which includes box culverts and concrete pipes). The proprietary infrastructure system is the sewer system, consisting of sewer lines, pump stations, and relay stations. For 2003, the County is reporting governmental infrastructure assets for the first time. For these assets, the County is only reporting the amounts acquired after 2002. The County plans to phase in the prior years’ amounts in future years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The County records a liability for all accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans, bonds, notes, and capital leases that will be paid from governmental funds are recognized as liabilities on the fund financial statements when due.

Reservation of Fund Balance

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balances are reserved for encumbrances, unclaimed monies, and loans receivable. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

Issuance Costs

Issuance costs for proprietary fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method and are recorded as deferred charges.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for County road and bridge repairs, for residential homes and educational opportunities for the mentally retarded and developmentally disabled, the support and placement of children, improving the living environment of the County, and the operation of public safety and transportation programs.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The County's sewer enterprise fund has restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

Investment in Joint Venture

The County's Investment in a Joint Venture relates to the County's equity interest in the Joint Solid Waste District (see Note 19). The County's invested share in capital assets and any year-end fund balances is included as an "Investment in Joint Venture."

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for sewer utility charges. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as nonoperating.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Changes in Accounting Principles

For 2003, the County has implemented *GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus,” GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,”* and *GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences.”*

GASB 34 creates new basic financial statements for reporting on the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

The government-wide financial statements split the County’s programs between governmental and business-type activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of *Statement No. 34*, including the required content of Management’s Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement did not apply to the presentation of budgetary statements by the County for 2003.

During 2003, the County underwent a new appraisal of all County assets, both governmental and proprietary. Once the appraisal was completed, new capital asset beginning balances were provided and adjustments to the prior years’ information were made.

Restatements were also necessary for the allocation of agency fund cash associated with County governmental activities, which was included as part of the General fund for 2003. In addition, it was discovered that an interfund payable had been recorded in error, which resulted in the overstatement of fund balance in the prior year.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

Restatement of Fund Balance

The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>	<u>Board of MRDD</u>	<u>Children Services</u>
Fund Balances					
December 31, 2002	\$1,955,510	\$2,596,887	\$1,146,917	\$1,861,919	\$1,974,737
GASB Interpretation No. 6	20,635	18,015	5,878	30,492	9,938
Fund Reclassifications	182,766	0	0	0	0
Correction of an error	0	(455,093)	0	0	0
Adjusted Fund Balance ,					
December 31, 2002	<u>\$2,158,911</u>	<u>\$2,159,809</u>	<u>\$1,152,795</u>	<u>\$1,892,411</u>	<u>\$1,984,675</u>

	<u>Nonmajor</u>	<u>Total</u>
Fund Balances		
December 31, 2002	\$5,410,341	\$14,946,311
GASB Interpretation No. 6	8,097	93,055
Fund Reclassifications	(47,689)	135,077
Correction of an error	(8,975)	(464,068)
Adjusted Fund Balance,		
December 31, 2002	<u>\$5,361,774</u>	<u>\$14,710,375</u>

(Continued)

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY (Continued)

	Total
Adjusted Fund Balance, December 31, 2002	\$14,710,375
GASB 34 Adjustments:	
Deferred Assets:	
Delinquent Property Taxes	408,299
State Levied Shared Taxes	2,364,213
Due From Other Governments	2,475,763
Investment in Joint Venture	27,536
Capital Assets, Net	33,589,057
Long-Term Liabilities:	
Compensated Absences Payable	(1,890,833)
Capital Leases Payable	(337,985)
General Obligation Bonds Payable	(8,369,639)
Human Services Notes Payable	(250,000)
Mental Retardation / Developmental Disabilities Loan Payable	(72,685)
Accrued Interest Payable	(83,782)
Governmental Activities, Net Assets December 31, 2002	\$42,570,319
	Sewer
Fund Equity at December 31, 2002	\$5,519,305
Capital Assets, Net	299,894
Adjusted Net Assets, December 31, 2002	\$5,819,199

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The Dog and Kennel Special Revenue fund and the Jail Construction and Burkes Point Project Capital Projects funds had deficit fund balances of \$892, \$382,321, and \$37,434, respectively, at December 31, 2003. These deficits are 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 deficits and provides operating transfers when cash is required, not when accruals occur.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance

The following funds had original appropriations in excess of estimated resources plus available fund balances for the year ended December 31, 2003:

Fund Type / Name	Estimated Revenues and Available Fund Balances	Appropriations	Excess
<i>Special Revenue Funds:</i>			
Dog and Kennel	\$114,889	\$122,594	(\$7,705)
Special Prosecution	\$31,621	\$64,000	(\$32,379)
Public Assistance	\$13,220,028	\$16,348,528	(\$3,128,500)
TB Levy	\$147,867	\$167,764	(\$19,897)
Victims of Crime	\$13,855	\$69,744	(\$55,889)
<i>Debt Service Fund:</i>			
Juvenile Detention Center Bond	\$114,631	\$154,065	(\$39,434)
<i>Capital Projects Fund:</i>			
Mental Retardation and Developmental Disability	\$456,035	\$500,000	(\$43,965)

The following funds had final appropriations in excess of estimated resources plus available fund balances for the year ended December 31, 2003:

Fund Name / Type	Estimated Revenues and Available Fund Balances	Appropriations	Excess
<i>Special Revenue Fund:</i>			
Public Safety and Security of Parks	\$6,053	\$6,146	(\$93)

The County Auditor will monitor budgetary controls more closely in the future to alleviate such compliance issues.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations 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 Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) are presented for the General Fund and the Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Major Special Revenue funds to provide a meaningful comparison of actual results with the budget.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Proceeds from and principal payments on short-term obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The County does not budget for the activities of the unclaimed monies fund, which includes monies which are owed to others and are held by the County in an agency fund. After five years, if the money remains unclaimed, it then reverts back to the County. For GAAP reporting purposes, these monies are included as part of the General Fund. Thus, they are included as revenue and expenditures (GAAP basis) but are not budgeted for (budget basis).

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

Net Change in Fund Balance

	General	Public Assistance	Motor Vehicle Gas Tax	Board of MRDD	Children Services
GAAP Basis	\$303,553	(\$825,068)	\$201,658	(\$976,980)	(\$182,734)
Increases (Decreases) Due To:					
Revenue Accruals	(143,067)	(327,744)	(32,878)	244,993	65,759
Expenditure Accruals	543,037	23,120	94,373	55,969	33,728
Encumbrances	(345,621)	(328,736)	(284,975)	(69,011)	(54,985)
Principal Payments	(557,000)	0	0	0	0
Unrecorded Cash	1,891	603,784	660	65	(39)
Transfers	(54,548)	0	0	0	0
Advances	(71,045)	0	0	0	0
Unbudgeted Activity	(135,077)	0	0	0	0
Budget Basis	<u>(\$457,877)</u>	<u>(\$854,644)</u>	<u>(\$21,162)</u>	<u>(\$744,964)</u>	<u>(\$138,271)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

The investment and deposits of County monies are governed by the Ohio Revised Code. State statutes classify monies held by the County 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.

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 any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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.

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.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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.

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 \$210,185 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 \$14,727,668 and the bank balance was \$16,820,508. Of the bank balance, \$519,370 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions’ trust department in the County’s name and all State 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.

GASB Statement No. 3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. The County’s investments are categorized as either (1) insured or registered or for which the securities are held by the County or its agent in the County’s name, (2) uninsured and unregistered for which the securities are held by the counterparty’s trust department or agent in the County’s name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the County’s name. STAR-Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Unclassified	Carrying and Fair Value
Repurchase Agreements	\$923,706	\$0	\$923,706
STAROhio	0	4,288	4,288
Total	\$923,706	\$4,288	\$927,994

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in *GASB Statement No. 9*. A reconciliation between classifications of cash and investments on the basic financial statements and the classifications according to *GASB Statement No. 3* is as follows:

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents	Investments
<i>GASB Statement No. 9</i>	\$15,865,847	\$0
Cash on Hand	(210,185)	0
Repurchase Agreements	(923,706)	923,706
STAROhio	(4,288)	4,288
<i>GASB Statement No. 3</i>	\$14,727,668	\$927,994

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 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 24 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all County operations for the year ended December 31, 2003, was \$7.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$508,375,840
Commercial/Industrial/Mineral	123,432,080
Public Utility Real	7,048,720
Tangible Personal Property:	
General	79,699,880
Public Utility Real	72,950,030
Total Assessed Value	\$791,506,550

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.

NOTE 7 - PROPERTY TAXES (Continued)

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 the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. In the General Fund, the Mental Retardation and Developmental Disabilities Fund, the Children Services Fund, and the T.B. Levy fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2003 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - PERMISSIVE SALES TAX

In accordance with Sections 5739.02 and 5741.02 of the Ohio 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.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2003. On a full accrual basis, the full amount of the receivable is recognized as revenue. On a modified accrual basis, the amount of the receivable that will be received outside of the available period is deferred.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), interest on investments, interfund activity, receivables due from other governments arising from grants and shared revenues, and loans. All receivables are considered fully collectible, including sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Loans receivable at year end totaled \$957,683, of which \$108,517 is considered to be due within one year.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 – RECEIVABLES (Continued)

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

	<u>Amount</u>
Governmental Activities:	
Local Government	\$508,772
Local Government Revenue Assistance	151,954
Juvenile Detention Center Contractual Services	60,447
RECLAIM Reimbursement	91,462
Human Services Retro Payment	365,723
Human Services Grant	125,211
Board of Elections Grant	11,015
Tuition Reimbursement	10,056
Medical Case Reimbursement	2,667
Waiver Administration	49,259
Homestead and Rollback	261,185
Fines And Forfeitures	195,788
REACH Grants	177,357
Children Services Grant	631,189
School Lunch Reimbursement	4,312
FEMA Reimbursement	16,135
COPS	83,798
Jail Diversion Grant	25,857
Rural Transit Grant	18,465
CDBG Grant	572,196
Trust Grant	24,407
Community Corrections Act Grant	55,385
HMEP Grant	3,550
VOCA Grant	39,818
Emergency Management Grant	2,684
Recycle Ohio	6,577
Excess Cost Reimbursements	15,000
Gasoline Tax	689,627
Motor Vehicle License Tax	1,366,686
Total Governmental Activities	<u><u>\$5,566,582</u></u>

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year-ended December 31, 2003, was as follows:

	Restated Balance At 12/31/2002	Additions	Deletions	Balance At 12/31/2003
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$1,832,506	\$0	\$0	\$1,832,506
Construction in Progress	45,560	501,316	(118,610)	428,266
Total Capital Assets Not Being Depreciated	<u>1,878,066</u>	<u>501,316</u>	<u>(118,610)</u>	<u>2,260,772</u>
Depreciable Capital Assets:				
Land Improvements	64,574	0	0	64,574
Buildings and Building Improvements	35,075,042	92,300	0	35,167,342
Furniture, Fixtures, and Equipment	2,583,394	289,464	(6,600)	2,866,258
Vehicles	5,521,781	297,130	0	5,818,911
Infrastructure	0	2,005,540	0	2,005,540
Total Depreciable Capital Assets	<u>43,244,791</u>	<u>2,684,434</u>	<u>(6,600)</u>	<u>45,922,625</u>
Total Capital Assets At Historical Cost	<u>45,122,857</u>	<u>3,185,750</u>	<u>(125,210)</u>	<u>48,183,397</u>
Less Accumulated Depreciation:				
Land Improvements	(52,671)	(1,700)	0	(54,371)
Buildings and Building Improvements	(5,536,886)	(677,108)	0	(6,213,994)
Furniture, Fixtures, and Equipment	(1,822,851)	(200,709)	3,960	(2,019,600)
Vehicles	(4,121,392)	(378,450)	0	(4,499,842)
Infrastructure	0	(103,842)	0	(103,842)
Total Accumulated Depreciation	<u>(11,533,800)</u>	<u>(1,361,809)</u>	<u>3,960</u>	<u>(12,891,649)</u>
Depreciable Capital Assets, Net	<u>31,710,991</u>	<u>1,322,625</u>	<u>(2,640)</u>	<u>33,030,976</u>
Governmental Activities Capital Assets, Net	<u>\$33,589,057</u>	<u>\$1,823,941</u>	<u>(\$121,250)</u>	<u>\$35,291,748</u>

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - CAPITAL ASSETS (Continued)

	Restated Balance At 12/31/2002	Additions	Deletions	Balance At 12/31/2003
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$163,841	\$1,981,074	\$0	\$2,144,915
Depreciable Capital Assets:				
Buildings and Building Improvements	6,977,328	0	0	6,977,328
Furniture, Fixtures, and Equipment	655,657	0	0	655,657
Vehicles	249,604	0	0	249,604
Infrastructure	8,482,469	0	0	8,482,469
Total Depreciable Capital Assets	16,365,058	0	0	16,365,058
Total Capital Assets At Historical Cost	16,528,899	1,981,074	0	18,509,973
Less Accumulated Depreciation:				
Buildings and Building Improvements	(1,543,184)	(144,719)	0	(1,687,903)
Furniture, Fixtures, and Equipment	(432,204)	(97,970)	0	(530,174)
Vehicles	(216,546)	(7,378)	0	(223,924)
Infrastructure	(2,507,255)	(113,712)	0	(2,620,967)
Total Accumulated Depreciation	(4,699,189)	(363,779)	0	(5,062,968)
Depreciable Capital Assets, Net	11,665,869	(363,779)	0	11,302,090
Business-Type Activities				
Capital Assets, Net	\$11,829,710	\$1,617,295	\$0	\$13,447,005

Depreciation expense was charged to governmental programs as follows:

Legislative and Executive	\$196,286
Judicial	24,343
Public Safety:	
Sheriff	168,485
Other	225,507
Public Works	279,262
Health	131,171
Human Services	52,130
Conservation and Recreation	215,814
Transportation	68,811
Total Depreciation Expense	<u>\$1,361,809</u>

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, 2003, was \$957,683.

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. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority (CORSA) (see Note 20) for liability, property, auto, and crime insurance. The County also carries Public Officials liability insurance through various insurance agencies. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

For 2003, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (see Note 20). The Plan is intended to achieve lower workers' compensation rates while establishing safer 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 participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan 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 Plan prior to withdrawal, and any participant leaving the Plan allows representatives of the Plan to access loss experience for three years following the last year of participation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year-ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$2,085,711, \$2,014,521, and \$2,038,748, respectively; 72.09 percent has been contributed for 2003. The full amount has been contributed for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$21,249 made by the County and \$13,330 made by the plan members.

State Teachers Retirement System of Ohio

For certified teachers, employed by the Board of Mental Retardation and Developmental Disabilities, the County contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the year ended December 31, 2003, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2003, 2002, and 2001 were \$122,070, \$80,035, and \$94,517, respectively; 80.24 percent has been contributed for calendar year 2003 and 100 percent for 2002 and 2001.

NOTE 14 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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 annually.

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$1,179,974. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

State Teachers Retirement System of Ohio

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). 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. Benefits are funded on a pay-as-you-go basis.

All STRS Ohio 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 Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$9,390 for 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 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.

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 number hours, depending on length of service and department policy, to employees who retire.

Insurance Benefits

Health and dental insurances were provided by Anthem for the year. Also, vision insurance was provided by Anthem Vision Service Plan.

NOTE 16 - LEASES - LESSEE DISCLOSURE

During 2003, and in prior years, the County entered into capitalized leases for vehicles, and furniture, fixtures, and equipment. The leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$739,338. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2003 totaled \$252,346 in the Governmental Funds.

The assets acquired through capital leases as of December 31, 2003, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Vehicles	\$513,175	\$135,900	\$377,275
Furniture, Fixtures, and Equipment	226,163	67,986	158,177
Total	\$739,338	\$203,886	\$535,452

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

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, 2003:

Year Ending December 31,	
2004	\$241,798
2005	107,695
2006	21,482
2007	1,579
Total	372,554
Less: Amount Representing Interest	(23,017)
Present Value of Net Minimum Lease Payments	\$349,537

The County leases buildings, vehicles, and furniture, fixtures, and equipment under noncancelable operating leases. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in 2003 totaled \$101,735 in the General Fund and \$23,159 in the special revenue funds.

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

Year Ending December 31,	
2004	\$122,302
2005	16,053
2006	10,212
2007	5,106
Total	\$153,673

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding at 12/31/02	Additions	Deletions	Principal Outstanding at 12/31/03	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
Franklin Furnace					
1997 4.50% - \$846,000	\$802,758	\$0	\$9,850	\$792,908	\$10,293
Unamortized Loss	(169,750)	0	(11,317)	(158,433)	0
Sewer System Refunding Bonds					
West Portsmouth Sewer					
1999 4.50% - \$2,880,000	2,440,000	0	120,000	2,320,000	125,000
Total Enterprise General Obligation Bonds	3,073,008	0	118,533	2,954,475	135,293
<u>Mortgage Revenue Bonds</u>					
1970 5.375% - \$615,000	245,000	0	25,000	220,000	25,000
<u>Farmer's Home Administration (FHA) Bonds</u>					
FHA Bonds - West Portsmouth					
Improvement 1993 5.00% - \$825,000	749,700	0	10,600	739,100	11,100
FHA Bonds - Lucasville Phase II					
1995 4.50% - \$650,000	601,320	0	8,260	593,060	8,640
FHA Bonds - Lucasville Phase III					
1996 3.86% - \$842,500	789,627	0	10,251	779,376	10,712
FHA Bonds - West Portsmouth					
Phase VII 1999 4.50% - \$825,000	800,820	0	8,800	792,020	9,190
FHA Bonds - Lucasville Phase IV					
2001 4.75% - \$347,940	343,880	0	4,250	339,630	4,450
Total FHA Bonds	3,285,347	0	42,161	3,243,186	44,092
<u>OPWC Loan</u>					
2002 0% - \$162,352	158,293	0	8,118	150,175	8,118
Wastewater Treatment Plant Bond Anticipation					
Note July 10 2003 1.39% - \$1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	0
Compensated Absences Payable	79,639	34,442	38,655	75,426	42,082
Total Business-Type Activities	\$8,041,287	\$1,234,442	\$1,432,467	\$7,843,262	\$254,585

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/02	Additions	Deletions	Principal Outstanding at 12/31/03	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Human Services					
1994 4.95% - \$3,610,000	\$2,160,000	\$0	\$200,000	\$1,960,000	\$205,000
Airport Facilities Bond					
2001 7.00% - \$55,000	49,639	0	5,736	43,903	6,138
Shelton Industries					
1999 8.05% - \$2,870,000	2,745,000	0	45,000	2,700,000	50,000
Various Purpose Bonds					
2000 5.7% - \$1,940,000	1,705,000	0	120,000	1,585,000	130,000
Juvenile Detention Center					
2000 5.80% - \$1,820,000	1,710,000	0	60,000	1,650,000	60,000
Total General Obligation Bonds	8,369,639	0	430,736	7,938,903	451,138
<u>Bond Anticipation Notes</u>					
Human Services Building Acquisition					
2003 2.00% - \$240,000	250,000	240,000	250,000	240,000	0
Airport Hangar					
November 20, 2003 2.65% - \$175,000	190,000	175,000	190,000	175,000	0
Commercial Property Acquisition					
September 27, 2003 2.50% - \$342,000	367,000	342,000	367,000	342,000	0
County Jail					
December 18, 2003 1.66% - \$250,000	0	250,000	0	250,000	0
Total Bond Anticipation Notes	807,000	1,007,000	807,000	1,007,000	0
<u>Other Long-Term Obligations</u>					
MRDD Loan Payable					
1986 3.00% - \$150,000	72,685	0	6,135	66,550	6,349
Capital Leases Payable	337,985	263,898	252,346	349,537	224,786
Compensated Absences Payable	1,890,833	1,147,802	1,086,060	1,952,575	1,099,844
Total Other Long-Term Obligations	2,301,503	1,411,700	1,344,541	2,368,662	1,330,979
Total Governmental Activities	\$11,478,142	\$2,418,700	\$2,582,277	\$11,314,565	\$1,782,117

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities

A. General Obligation Bonds

On June 21, 1997, the County issued General Obligation Bonds supported by Enterprise fund revenues in the amount of \$846,000 to finance part of the cost of constructing sanitary sewer improvements in the Franklin Furnace Sewer Improvements Area of the Wheelersburg Sewer District.

During 1999, the County issued General Obligation Bonds supported by Enterprise fund revenues in the amount of \$2,880,000 to advance refund the West Portsmouth Sewer System 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, 2003, was \$158,433 and is reported as a reduction in the liability. As a result, the General Obligation Bonds supported by Enterprise Revenues outstanding at December 31, 2003, has been reduced by the unamortized loss of \$158,433 within the financial statements.

B. 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.

C. Farmer's Home Administration (FHA) Bonds

The Farmer's Home Administration (FHA) General Obligation Bonds are issued for the purpose of replacing sewer lines. The bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 40 year serial bonds with equal amounts of principal maturing each year and are paid with revenues from the operation of the sewer system.

D. Ohio Public Works Commission Loan

In 2001, Scioto County was approved for a loan from the Ohio Public Works Commission for the purpose of replacing sewer lines. In 2002, the work was completed and the total amount of loan monies received was \$162,352. The loan will be paid from the Sewer Fund and will be fully retired in July 2022.

E. Wastewater Treatment Plant Bond Anticipation Note

During 2002, the County issued a bond anticipation note in anticipation of the issuance of general obligation bonds for the purpose of paying the cost of renovating the Wheelersburg Wastewater Treatment Plant. The note matured on July 10, 2003, and was re-issued and will be repaid by January 28, 2004.

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Governmental Activities

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 20 year serial bonds with equal amounts of principal maturing each year. The Human Services Bond is being paid with monies received from the County's Human Services department. The Airport Facilities Bond is being paid with monies received from the Scioto County Airport Authority. The Shelton Industries bonds are paid from general revenues of the County. The Various Purpose and Juvenile Detention Center bonds are both being paid with tax monies receipted into the General Fund and then transferred to the Debt Service Fund.

B. Bond Anticipation Notes

The County had four outstanding bond anticipation notes at December 31, 2003: the Human Services Building Bond Anticipation Note was issued in anticipation of the issuance of general obligations bonds for the acquisition and renovation of capital facilities to be used by the State of Ohio Department of Human Services, the Airport Hanger Bond Anticipation Notes were issued for airport improvements, the Commercial Property Acquisition Bond Anticipation Notes were issued for building acquisitions and renovations, and the County Jail Bond Anticipation Notes were issued for the construction of the new jail.

The Human Services Building Bond Anticipation Note was retired during 2003 in the amount of \$250,000 and a new Human Services Building Bond Anticipation Note was issued in its place in the amount of \$240,000. The Airport Hanger Bond Anticipation Note was retired during 2003 in the amount of \$190,000 and a new Airport Hanger Bond Anticipation Note was issued in its place in the amount of \$175,000. The Commercial Property Acquisition Bond Anticipation Note was retired during 2003 in the amount of \$367,000 and a new Commercial Property Acquisition Bond Anticipation Note was issued in its place in the amount of \$342,000. The County Jail Bond Anticipation Notes were issued during 2003 in the amount of \$250,000 and is expected to mature during 2004. All bond anticipation notes are backed by the full faith and credit of the County.

C. Mental Retardation and Developmental Disabilities (MRDD) 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 and will be fully retired in January 2013.

Capital Leases and Compensated Absences

Capital leases will be paid from the General Fund and Special Revenue Funds.

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the following governmental and business-type funds:

General Fund
Dog and Kennel Special Revenue Fund
Drug Enforcement Sheriff Special Revenue Fund
DRETAC Treasurer Special Revenue Fund
Common Pleas Court Computer Special Revenue Fund
Juvenile Detention Center Special Revenue Fund
Public Assistance Special Revenue Fund
Recycling and Litter Prevention Special Revenue Fund
Motor Vehicle and Gas Tax Special Revenue Fund
Probation Supervision Services Special Revenue Fund
Board of Mental Retardation and Developmental Disabilities Special Revenue Fund
T.B. Levy Special Revenue Fund
Children Services Special Revenue Fund
Revolving Loan Special Revenue Fund
Coordinated Transportation Special Revenue Fund
State Community Development Special Revenue Fund
Victims of Crime Special Revenue Fund
Emergency Management Assistance Special Revenue Fund
Sheriff Policing Rotary Special Revenue Fund
Sewer District Enterprise Fund

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. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither is the full faith and credit or taxing power of the County pledged to make repayment. The balance outstanding as of December 31, 2003, is \$1,790,000.

During 2002, the County issued revenue bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds are to be used by The Counseling Center, Inc. to renovate two of its facilities and to refinance an outstanding commercial loan that was used to acquire and renovate three of its facilities. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither is the full faith and credit or taxing power of the County pledged to make repayment. The balance outstanding as of December 31, 2003, is \$1,265,000.

The County's total legal debt margin was \$13,127,406 at December 31, 2003, with an unvoted debt margin of \$2,994,808 at December 31, 2003.

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	General Obligation Bonds		Revenue Bonds		FHA Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2004	\$135,293	\$139,296	\$25,000	\$11,153	\$44,092
2005	140,757	133,958	30,000	9,675	46,184	148,437
2006	146,241	128,274	30,000	8,062	48,348	146,289
2007	151,747	121,963	30,000	6,450	50,584	144,039
2008	157,275	115,414	35,000	4,703	52,894	141,686
2009-2013	900,176	467,123	70,000	3,763	304,040	669,117
2014-2018	902,452	240,840	0	0	381,399	591,459
2019-2023	108,981	120,891	0	0	479,064	493,940
2024-2028	135,809	94,062	0	0	601,684	371,435
2029-2033	169,243	60,628	0	0	755,338	217,506
2034-2038	164,934	18,962	0	0	436,659	57,246
2039-2040	0	0	0	0	42,900	1,931
Totals	\$3,112,908	\$1,641,411	\$220,000	\$43,806	\$3,243,186	\$3,133,573

	Wastewater Treatment Plant Bond			
	OPWC Loan	Anticipation Note	Totals	
	Principal	Principal	Principal	Interest
2004	\$8,118	\$1,200,000	\$1,412,503	\$300,937
2005	8,118	0	225,059	292,070
2006	8,118	0	232,707	282,625
2007	8,118	0	240,449	272,452
2008	8,118	0	253,287	261,803
2009-2013	40,590	0	1,314,806	1,140,003
2014-2018	40,590	0	1,324,441	832,299
2019-2023	28,405	0	616,450	614,831
2024-2028	0	0	737,493	465,497
2029-2033	0	0	924,581	278,134
2034-2038	0	0	601,593	76,208
2039-2040	0	0	42,900	1,931
Totals	\$150,175	\$1,200,000	\$7,926,269	\$4,818,790

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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

	General Obligation		MRDD Loan	
	Bonds			
	Principal	Interest	Principal	Interest
2004	\$451,137	\$485,898	\$6,349	\$2,195
2005	476,567	462,839	6,572	1,972
2006	502,027	438,332	6,802	1,742
2007	537,519	411,755	7,040	1,504
2008	558,045	383,046	7,287	1,257
2009-2013	2,183,608	1,467,072	32,500	2,388
2014-2018	1,450,000	968,965	0	0
2019-2023	1,310,000	450,565	0	0
2024-2028	470,000	57,200	0	0
Totals	\$7,938,903	\$5,125,672	\$66,550	\$11,058

	Property				Totals	
	Human Services Bond Anticipation Note	Airport Hanger Bond Anticipation Notes	Acquisition Bond Anticipation Notes	County Jail Bond Anticipation Notes		
	Principal	Principal	Principal	Principal	Principal	Interest
2004	\$240,000	\$175,000	\$342,000	\$250,000	\$1,464,486	\$488,093
2005	0	0	0	0	483,139	464,811
2006	0	0	0	0	508,829	440,074
2007	0	0	0	0	544,559	413,259
2008	0	0	0	0	565,332	384,303
2009-2013	0	0	0	0	2,216,108	1,469,460
2014-2018	0	0	0	0	1,450,000	968,965
2019-2023	0	0	0	0	1,310,000	450,565
2024-2028	0	0	0	0	470,000	57,200
Totals	\$240,000	\$175,000	\$342,000	\$250,000	\$9,012,453	\$5,136,730

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 – INTERFUND ACTIVITY

Interfund balances at December 31, 2003, consist of the following individual fund receivables and payables:

		Payable				Total
		General	Public Assistance	Children Services	Nonmajor Governmental Funds	
Receivables	General	\$0	\$4,163	\$0	\$166,255	\$170,418
	Public Assistance	16,688	0	0	54,273	70,961
	Children Services	0	77,323	0	0	77,323
	Nonmajor Governmental Funds	0	53,453	1,035	8,755	63,243
	Total	\$16,688	\$134,939	\$1,035	\$229,283	\$381,945

General fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies and for services performed for which payments are owed. The \$16,688 due to Public Assistance from the General fund is a result of County departments using postage meters that are designated for the Public Assistance department. These departments reimburse Public Assistance for the postage that is used every month. All advances will be reimbursed when either funds become available or when payments for services are rendered.

Transfers made during the year ended December 31, 2003 were as follows:

		Transfers To				Total
		General	Public Assistance	Motor Vehicle Gas Tax	Nonmajor Governmental Funds	
Transfers From	General	\$0	\$309,657	\$294,852	\$1,509,297	\$2,113,806
	Nonmajor Governmental Funds	338,086	0	362,335	50,000	750,421
	Total	\$338,086	\$309,657	\$657,187	\$1,559,297	\$2,864,227

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies transferred from Nonmajor Governmental Funds to the Motor Vehicle Gas Tax were Federal Emergency Management Association monies received to cover costs related to disaster assistance. Monies transferred to the General fund were made in order to redistribute certificate of title monies.

NOTE 19 – 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.

The three county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, four are appointed by the Ohio Director of Mental Health service, four each are appointed by Scioto and Lawrence Counties and two are appointed by Adams County. The main sources of revenue for this board are grants from the two State departments. Outside agencies are contracted by the Board to provide service for the Board. Financial records are maintained by the Scioto County Auditor and Treasurer. Each county has a participation 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 2003.

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 a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia, and Lawrence Counties each appoint three members to the 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 2003; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

Workforce Investment Board

The Workforce Investment Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, and Brown Counties appointed by the county commissioners from each county. The forty-eight member board includes twelve members from each participating county and includes fifty-one percent of its members from the private sector. The remaining members include individuals from education, one stop partners, juvenile justice centers, labor organizations, local public housing and former participants. The Workforce Investment Board typically meets three to four times per year and is responsible for the five year plan, selecting one stop operators, selecting youth providers and coordinating all activities in association with Workforce Improvement Act funds. This board enables the participating counties to have more local control over the programs which they assist in overseeing. The Workforce Investment Board received no contributions from the County during 2003.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)

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.

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 2003, the County made no payments to the CAO.

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 2003, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

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 2003.

Joint Solid Waste District

The County participates in a joint venture with Lawrence County, the Joint Solid Waste District (the District). The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. Each of the governments supports the District and shares in an equal percentage of equity. The degree of control exercised by each participating County is limited to its representation on the Board. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the Solid Waste District rotates between the two counties every third year. Lawrence County maintained the records in 2003.

NOTE 19 – 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 not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future. The County contributed \$70,515 to the District during 2003. The County's investment interest in the Solid Waste District was \$28,041 as of December 31, 2003. Complete financial statements can be obtained from the Solid Waste District located at Veterans Square, 3rd Floor, Ironton, OH 45638.

NOTE 20 – RISK SHARING POOL / GROUP PURCHASING POOL

County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among sixty counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

CORSA has 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 participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2003 was \$318,613.

Financial statements may be obtained by contacting the County Commissioners Association of Ohio in Columbus, Ohio.

NOTE 20 – RISK SHARING POOL / GROUP PURCHASING POOL (Continued)

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.

NOTE 21 – RELATED ORGANIZATION

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.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 22 – CONTRACTUAL COMMITMENTS

As of December 31, 2003, the County had the following contractual purchase commitments for numerous projects.

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2003
<i>New County Jail Architects</i>			
Wachtel and McAnnally	\$836,045	\$376,220	\$459,825
Peck, Shaffer, and Williams - Attorneys at Law	15,000	5,393	9,607
<i>Prepare Natural Hazard Plan</i>			
RFG Associates	12,000	7,200	4,800
<i>Tax Valuation Reappraisal</i>			
Cole-Layer-Trumble Company	737,400	526,500	210,900
<i>GIS Mapping</i>			
Woolpert, LLP	1,065,175	961,280	103,895
<i>Wheelersburg Wastewater Treatment Plant Improvement</i>			
Woolpert, LLP	267,500	260,702	6,798
Doll Layman	1,862,564	1,760,684	101,880
<i>Eden Park Sanitary Sewer</i>			
Woolpert, LLP	17,200	16,075	1,125
<i>West Portsmouth Sanitary Sewer Renovations</i>			
Woolpert, LLP	46,600	34,000	12,600
<i>Sciotoville Sewer/Rigrish Sanitary Sewer Extension</i>			
Woolpert, LLP	182,700	73,454	109,246
Totals	<u>\$5,042,184</u>	<u>\$4,021,508</u>	<u>\$1,020,676</u>

NOTE 23 - 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, 2003, to December 31, 2003, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

NOTE 24 – RELATED PARTY TRANSACTIONS

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of the STAR, Inc. In 2003, these contributions were \$85,031.

NOTE 25 – SUBSEQUENT EVENT

On January 26, 2004, the County issued General Obligation Bonds in the amount of \$1,200,000 with an interest rate of 4.5%. The proceeds from the bonds are being used to pay off the Wastewater Treatment Plant Bond Anticipation Note Dated July 10, 2003. This note was used to cover costs related to renovating the Wheelersburg Wastewater Treatment Plant. The bonds will be retired over 40 years with a final maturity on January 1, 2044.

On May 1, 2004, the County issued Various Purpose Refunding and Improvement Bonds, Series 2004 for the amount of \$8,185,000 with an interest rate of 2.00% - 4.55%. The proceeds from the bonds are being used for the construction of the new jail and the refunding of the bonds used to renovate the human services building. The bonds will mature on December 1, 2029.

On June 29, 2004, the County awarded construction contracts for construction of the new jail. The general contract was awarded to J&H Reinforcing for \$6,764,391. The electrical contract was awarded to West End Electric for \$1,804,082. The plumbing and HVAC contract was awarded to BB&E, Inc. for \$2,530,280. Finally, the fire protection contract was awarded to Brewer and Company for \$213,850.

On September 15, 2004, a settlement was reached between a plaintiff and the County for \$60,000. The liability will be paid from both the General fund and the Sewer proprietary fund and should be paid by November 30, 2004.

On September 23, 2004, the County reissued the Commercial Property Acquisition Bond Anticipation Notes in the amount of \$317,000 at a rate of 2.00%. This note will mature on September 22, 2005.

On November 17, 2004, the County reissued the County Jail Bond Anticipation Notes in the amount of \$250,000 at a rate of 2.60%. This note will mature on November 16, 2005.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

STAR Inc.

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

Measurement Focus and Basis of Accounting - STAR, Inc. has adopted Financial Accounting Standard Board Statement of Accounting Standards (FAS) No. 117 (Financial Statements of Not-for Profit Organizations) for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

STAR Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated based on estimates established by STAR Inc.

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 STAR, Inc. deposits was \$204,158 and the bank balance was \$209,891. Of the bank balance, \$86,529 was covered by federal deposit insurance. The remainder of \$123,362 was considered insured through Securities Investor Protection Corporation (SIPC) for which the securities are held by the broker.

At year-end, STAR, Inc. had \$9,839 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. capital assets at December 31, 2003, follows:

Machinery and Equipment	\$201,047
Less: Accumulated Depreciation	(137,011)
Total Capital Assets (net)	<u><u>\$64,036</u></u>

Capital 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 Basic Financial Statements, the following disclosures are made on behalf of the Scioto County Airport Authority:

Measurement Focus and Basis of Accounting - The Scioto County Airport Authority is accounted for like 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.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Deposits and Investments – At year-end, the carrying amount of the Scioto County Airport Authority deposits was \$103,150 and the bank balance was \$103,270. Of the bank balance, \$100,000 of the bank balance was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust department in the Airport's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the Airport to a successful claim by the Federal Deposit Insurance Corporation.

Due from Other Governments – Due from other governments represents intergovernmental revenue to be received from the FAA for the purchase of additional land and improvements to the airport runways.

Contracts Payable – Contracts Payable represents capital outlay disbursements in relation to the runway improvement project.

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SCIOTO COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR	Pass Through Entity	Federal CFDA Number	Disbursements
<i>Pass Through Grantor</i> Program Title	Number		
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education</i>			
National School Lunch Program	N/A	10.555	\$20,518
Detention Center			11,163
STAR Community Justice Center			<u>11,163</u>
Total National School Lunch Program			31,681
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities - grant	N/A	10.760	558,176
Water and Waste Disposal Systems for Rural Communities - loan			<u>1,190,826</u>
Total Water and Waste Disposal Systems for Rural Communities			<u>1,749,002</u>
Total United States Department of Agriculture			1,780,683
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program	B-C-02-068-1	14.228	142,605
	B-F-01-068-1		29,785
	B-F-02-068-1		<u>410,351</u>
Total Community Development Block Grants/State's Program			582,741
<i>Passed through Ohio Department of Development</i>			
HOME Investment Partnerships Program	B-C-02-068-2	14.239	<u>178,547</u>
Total United States Department of Housing and Urban Development			761,288
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	FY02-JB-001-A172	16.523	28,552
<i>Passed through the Office of the Ohio Attorney General</i>			
Crime Victim Assistance	2002VAGENE398T	16.575	39,389
	2003VAGENE398T		<u>13,682</u>
Total Crime Victim Assistance			53,071
<i>Passed through the Office of Criminal Justice Services</i>			
Byrne Formula Grant Program		16.579	
Treatment Against Street Crime (TASC)	2001-DG-C01-7224		8,530
Residential Substance Abuse Treatment (RSAT)	1996-RS-SAT-116		<u>204,271</u>
	1998-RS-SAT-116A		
Total Byrne Formula Grant Program			212,801
<i>Direct from the United States Department of Justice</i>			
Community Prosecution and Project Safe Neighborhoods	N/A	16.609	<u>26,519</u>
Total United States Department of Justice			320,943
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Direct from the United States Department of Transportation</i>			
Airport Improvement Program	3-39-0069-0300	20.106	5,823
	3-39-0069-0401		4,711
	3-39-0069-0502		137,585
	3-39-0069-0603		<u>19,112</u>
Total Airport Improvement Program			167,231
<i>Passed Through Ohio Department of Public Safety</i>			
Formula Grants for Other Than Urbanized Areas	RPT-4073-022-03	20.509	<u>166,933</u>
Total United States Department of Transportation			334,164
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Program	J525	97.004	1,851
	J809		1,105
	K195		96,906
	K539		<u>3,909</u>

SCIOTO COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOMELAND SECURITY (Continued)			
Total State Domestic Preparedness Equipment Support Program			103,771
Public Assistance Grants	145-05957 145-08E5D 145-12353 145-07888 145-USEAG	97.036	362,335 15,151 10,148 4,411 <u>7,831</u>
Total Public Assistance Grants			399,876
Emergency Management Performance Grant	K305	97.042	36,365
State and Local All Hazards Emergency Operations Planning	K273	97.051	36,664
Citizen Corps	K281	97.053	<u>5,000</u>
Total United States Department of Homeland Security			581,676
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Rehabilitation and Correction</i>			
Adult Education - State Grant Program	2003-PRSC-0005 2003-PRSC-0005A	84.002	28,939
Title I Program for Neglected and Delinquent Children	2003-TIED-0014	84.013	<u>13,354</u>
Total Passed through Ohio Department of Rehabilitation and Correction			42,293
<i>Passed through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States	078063-6B-SF-03P	84.027	58,759
Special Education - Preschool Grants	078063-PG-S1-2003P	84.173	<u>12,812</u>
Total Special Education Cluster			71,571
Special Education - Grants for Infants and Families with Disabilities	73-6-21-DE-3	84.181	67,182
State Grants for Innovative Programs	078063-C2-S1-2003	84.298	<u>833</u>
Total Passed through Ohio Department of Education			<u>139,586</u>
Total United States Department of Education			181,879
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through State Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	02-03	93.667	100,909
Medical Assistance Program:			
Targeted Case Management	N/A	93.778	522,615
Community Alternative Funding System	N/A		<u>1,008,270</u>
Total Medical Assistance Program			<u>1,530,885</u>
Total Passed through State Department of Mental Retardation and Development Disabilities			<u>1,631,794</u>
Total United States Department of Health and Human Services			<u>1,631,794</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$5,592,427</u>

The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.

SCIOTO COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

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 - 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-moderate income households and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Award 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, 2003, the gross amount of loans outstanding under this program was \$1,508,020. Of the loan balances outstanding, \$550,337 were deemed uncollectible. This amount was written off during the compilation process for reporting purposes; however, the County is still attempting to recover these funds through litigation.

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 one of the loans which is in the uncollectible loan noted above. The company is in bankruptcy and is in default of the revolving loan agreement. The assets of the business 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 this loan. The County has issued judgment against this business in an effort to collect the principal of this loan.

NOTE C - 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.

NOTE D - NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE E - U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Schedule of Federal Awards Expenditures reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirements of these programs has not changed. A comparison of the Federal agencies' and CFDA numbers the County reported in its 2002 Schedule of Federal Awards Expenditures compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	CFDA No. used In 2002	Homeland Security CFDA No. used for 2003
Federal Emergency Management Agency	83.552	97.042
U.S. Department of Justice	16.007	97.004

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**Auditor of State
Betty Montgomery**

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

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 8, 2005, wherein we noted the County has adopted Governmental Accounting Statements No.34, 37, and 38 and Interpretation 6. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as finding number 2003-001.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated February 8, 2005.

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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 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. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated February 8, 2005.

This report is intended solely for the information and use of management, the Board of County Commissioners, 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.



Betty Montgomery
Auditor of State

February 8, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is 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.

In our opinion, 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, 2003.

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 the 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 the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of County Commissioners, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 8, 2005

SCIOTO COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(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)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities, CFDA #10.760 Community Development Block Grant, CFDA #14.228 Public Assistance Grants, CFDA #97.036 Medical Assistance Program, 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
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

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

Finding Number 2003-001

Reportable Condition

The following control weaknesses were identified in the Sanitary Engineer's office concerning monitoring of their service organization, BPS, and other areas of significant control.

1. The Sanitary Engineer's office maintains daily receipt reports and a spreadsheet of daily collections that is suppose to be reconciled to the revenue report received at the end of each month from the Auditor's office. However, there was no indication that this reconciliation had been completed or reviewed by the Sanitary Engineer.

We recommend the reconciliation of the reports above be completed each month and signed off by the Sanitary Engineer indicating there was a review done and no unusual items were noted.

2. BPS is a service organization that performs the billing service for the County and, until June 2003, also received payments on behalf of the utility department. The Sanitary Engineer's office receives monthly transaction ledgers and consumption reports from BPS. However, there is no indication the Sanitary Engineer reviews any of these reports. This could result in errors going undetected for an extended period of time.

We recommend the Sanitary Engineer review and approve all reports received from BPS.

3. Adjustments are made to individuals' accounts for various issues such as incorrect charges, name changes, and removal of accounts. When an adjustment is made, the only record maintained is a manual ledger of adjustments which is kept by the office manager. Although the office manager indicated that verification is done for adjustments from customer complaints, there was no documentation to support this within the ledger. In addition to the lack of supporting documentation, it was noted adjustment forms did not always include a reason for why the adjustment was being made and were not approved by the Sanitary Engineer. Without proper support and approval of adjustment forms, questions could arise regarding the validity of the adjustment.

We recommend the Sanitary Engineer's office implement a policy addressing who is responsible for posting adjustments to the system and who should review and approve the adjustments. The policy should address what type of supporting documentation should be maintained for these adjustments. In addition to this, we recommend the Sanitary Engineer's office maintain a monthly computerized listing of all adjustments posted to the system.

4. The Sanitary Engineer's office did not prepare a reconciliation of their bank account for the entire audit period. This could result in errors going undetected.

We recommend the Sanitary Engineer's office prepare monthly bank reconciliations.

SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A -133 § .315 (b)
 DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Fixed Asset System	Yes	N/A
2002-002	CDBG Cash Management	Yes	N/A
2002-003	CDBG Allowable Cost/Cost Principles – Questioned Cost	Yes	N/A

SCIOTO COUNTY
CORRECTIVE ACTION PLAN
DECEMBER 31, 2003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	As of July 1, 2004, the Sanitary Engineer's office terminated its contract with BPS. They plan to implement the recommended controls internally to ensure accurate records are maintained. Several changes have already been implemented.	December 31, 2004	Sanitary Engineer, Joseph Delong



**Auditor of State
Betty Montgomery**

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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
MARCH 17, 2005**