



**Auditor of State  
Betty Montgomery**



**SCIOTO COUNTY**  
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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, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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

November 2, 2006

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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, 2005.

**FINANCIAL HIGHLIGHTS**

The County's total net assets increased \$7,467,604 during 2005. Net assets of governmental activities increased \$6,425,725 (approximately 18.1 percent), mainly due to the receipt of a large grant for the jail construction, an increase in property tax revenues, and an increase in investment earnings along with a reduction in overall expenses.

Net assets of business-type activities increased by \$1,041,879 (approximately 12.8 percent), primarily due to current year operating revenues exceeding operating expenses.

Business-type operations reflected operating income, since charges for services kept up with expenses, while business-type unrestricted net assets totaled \$1,643,487.

Capital assets, net of depreciation, used in governmental activities increased \$9,958,356. This was mainly due to \$8,869,340 in construction in progress additions related to the new jail and \$1,694,492 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 non-major 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.

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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 sewer services that are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

The financial activities of STAR Inc. and the Scioto County Airport Authority, both component units of Scioto County, are presented in separate columns on the Statement of Net Assets and as separately identified activities on the Statement of Activities. While the County provides services and resources to both STAR Inc. and the Scioto County Airport Authority, these discrete presentations are made in order to emphasize that they are still legally separate organizations from 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 the General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, Children Services, Jail Construction, and Sewer Funds.

**Governmental Funds** – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 2005 compared to 2004.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
<b>Assets</b>						
Current and						
Other Assets	\$25,452,064	\$27,369,949	\$2,775,329	\$1,751,122	\$28,227,393	\$29,121,071
Investment in						
Joint Venture	15,172	36,719	0	0	15,172	36,719
Capital Assets,						
Net of Depreciation	42,377,544	32,419,188	15,111,239	14,397,565	57,488,783	46,816,753
Total Assets	<u>67,844,780</u>	<u>59,825,856</u>	<u>17,886,568</u>	<u>16,148,687</u>	<u>85,731,348</u>	<u>75,974,543</u>
<b>Liabilities</b>						
Long-Term Liabilities						
Due within						
One Year	1,980,702	2,098,744	306,439	290,014	2,287,141	2,388,758
Due in More						
Than One Year	13,785,132	14,996,334	7,262,004	7,500,136	21,047,136	22,496,470
Current and Other						
Liabilities	10,219,757	7,297,314	1,147,332	229,623	11,367,089	7,526,937
Total Liabilities	<u>25,985,591</u>	<u>24,392,392</u>	<u>8,715,775</u>	<u>8,019,773</u>	<u>34,701,366</u>	<u>32,412,165</u>
<b>Net Assets</b>						
Invested in						
Capital Assets,						
Net of Related Debt	30,786,969	24,407,976	7,374,470	6,614,541	38,161,439	31,022,517
Restricted for:						
Debt Service	61,079	147,013	0	0	61,079	147,013
Other Purposes	11,376,995	11,613,311	0	0	11,376,995	11,613,311
Replacement and						
Improvements	798,587	0	40,000	40,000	838,587	40,000
Future Debt Service	271,023	266,339	112,836	109,976	383,859	376,315
Unrestricted (Deficit)	<u>(1,435,464)</u>	<u>(1,001,175)</u>	<u>1,643,487</u>	<u>1,364,397</u>	<u>208,023</u>	<u>363,222</u>
Total Net Assets	<u>\$41,859,189</u>	<u>\$35,433,464</u>	<u>\$9,170,793</u>	<u>\$8,128,914</u>	<u>\$51,029,982</u>	<u>\$43,562,378</u>

Cash and Cash Equivalents for the year decreased mainly due to expenditures related to the jail construction project.

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Current assets of the County's Governmental Activities decreased by \$1,917,885 which was largely due to a decrease in Due from Other Governments in the Public Assistance Fund, the Motor Vehicle Gas Tax Fund, and the Board of Mental Retardation and Developmental Disabilities Fund. This was due to a reduction in the receipt of State funds. Total liabilities increased by \$1,593,199 mainly due to an increase in taxes receivable which resulted in an increase to deferred revenue.

Invested in capital assets, net of related debt, for Governmental Activities increased mainly due to the additions to construction in progress related to the new jail and the addition of current year infrastructure assets. Total Governmental Net Assets increased by \$6,425,725 primarily due to the receipt of a large grant for the jail construction, an increase in property tax revenues, and an increase in investment earnings along with a reduction in overall expenses.

The net assets of the County's business-type activities increased by \$1,041,879. This increase was primarily due to current year operating revenues exceeding operating expenses. 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 years ended December 31, 2004 and 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$5,949,107	\$6,446,530	\$2,839,906	\$2,070,422	\$8,789,013	\$8,516,952
Operating Grants, Contributions, and Interest	26,663,228	28,185,705	0	0	26,663,228	28,185,705
Capital Grants and Contributions	6,740,402	464,374	453,050	355,367	7,193,452	819,741
<b>Total Program Revenues</b>	<b>39,352,737</b>	<b>35,096,609</b>	<b>3,292,956</b>	<b>2,425,789</b>	<b>42,645,693</b>	<b>37,522,398</b>
General Revenues:						
Property and Other Local Taxes	4,945,748	4,532,500	0	0	4,945,748	4,532,500
Sales Tax	8,449,420	8,394,244	0	0	8,449,420	8,394,244
Revenue in Lieu of Taxes	40,648	57,180	0	0	40,648	57,180
Grants and Entitlements not Restricted to Specific Programs	1,603,520	1,771,133	0	0	1,603,520	1,771,133
Unrestricted Investment						
Earnings	509,822	194,033	2,815	628	512,637	194,661
Miscellaneous	618,934	650,946	42,501	125,232	661,435	776,178
<b>Total General Revenues</b>	<b>16,168,092</b>	<b>15,600,036</b>	<b>45,316</b>	<b>125,860</b>	<b>16,213,408</b>	<b>15,725,896</b>
<b>Total Revenues</b>	<b>\$55,520,829</b>	<b>\$50,696,645</b>	<b>\$3,338,272</b>	<b>\$2,551,649</b>	<b>\$58,859,101</b>	<b>\$53,248,294</b>

(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	
	2005	Restated 2004	2005	Restated 2004	2005	Restated 2004
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	\$6,980,041	\$6,537,324	\$0	\$0	\$6,980,041	\$6,537,324
Judicial	2,214,762	2,245,009	0	0	2,214,762	2,245,009
Public Safety:						
Sheriff	3,977,243	4,156,537	0	0	3,977,243	4,156,537
Other	3,205,370	3,391,705	0	0	3,205,370	3,391,705
Public Works	3,755,993	3,779,665	0	0	3,755,993	3,779,665
Health	6,680,087	8,834,042	0	0	6,680,087	8,834,042
Human Services	18,956,519	17,779,187	0	0	18,956,519	17,779,187
Conservation and Recreation	500,464	574,564	0	0	500,464	574,564
Economic Development and Assistance	1,101,206	1,212,930	0	0	1,101,206	1,212,930
Transportation	920,147	934,492	0	0	920,147	934,492
Interest and Fiscal Charges	734,820	644,993	0	0	734,820	644,993
Sewer	0	0	2,364,845	2,100,344	2,364,845	2,100,344
<b>Total Expenses</b>	<b>49,026,652</b>	<b>50,090,448</b>	<b>2,364,845</b>	<b>2,100,344</b>	<b>51,391,497</b>	<b>52,190,792</b>
Increase						
in Net Assets Before Transfers	6,494,177	606,197	973,427	451,305	7,467,604	1,057,502
Transfers	(68,452)	(43,729)	68,452	43,729	0	0
<b>Increase in Net Assets</b>	<b>6,425,725</b>	<b>562,468</b>	<b>1,041,879</b>	<b>495,034</b>	<b>7,467,604</b>	<b>1,057,502</b>
Net Assets at Beginning of Year	35,433,464	34,870,996	8,128,914	7,633,880	43,562,378	42,504,876
<b>Net Assets at End of Year</b>	<b>\$41,859,189</b>	<b>\$35,433,464</b>	<b>\$9,170,793</b>	<b>\$8,128,914</b>	<b>\$51,029,982</b>	<b>\$43,562,378</b>

***Governmental Activities***

Operating grants, contributions, and interest restricted to specific programs is the largest source of revenue for Scioto County. This makes up approximately 48% of total governmental revenues for 2005. The major recipients of operating grants and contributions were the Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Programs.

Sales tax collected by the County comprised approximately 15% of total governmental revenues for 2005. 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 11% of total governmental revenues for 2005. 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 39% of total expenses for governmental activities. Health programs (including MRDD) makes up approximately 14% 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 15% 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 \$1,041,879 during 2005. Charges for services were the largest revenue source, accounting for approximately 85% 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.

Table 3  
Governmental Activities and Business-Type Activities

	Total Cost of Services 2005	Total Cost of Services Restated 2004	Net Cost of Services 2005	Net Cost of Services Restated 2004
General Government:				
Legislative and Executive	\$6,980,041	\$6,537,324	(\$5,032,156)	(\$4,323,393)
Judicial	2,214,762	2,245,009	(1,301,055)	(1,303,054)
Public Safety:				
Sheriff	3,977,243	4,156,537	3,313,266	(2,942,587)
Other	3,205,370	3,391,705	(1,588,250)	(942,178)
Public Works	3,755,993	3,779,665	520,422	696,416
Health	6,680,087	8,834,042	(2,537,905)	(3,322,775)
Human Services	18,956,519	17,779,187	(1,835,597)	(1,664,898)
Conservation and Recreation	500,464	574,564	(451,093)	(533,082)
Economic Development and Assistance				
	1,101,206	1,212,930	(654,715)	(419,148)
Transportation	920,147	934,492	627,988	405,853
Interest and Fiscal Charges	734,820	644,993	(734,820)	(644,993)
Sewer	2,364,845	2,100,344	928,111	325,445
Total Expenses	<u>\$51,391,497</u>	<u>\$52,190,792</u>	<u>(\$8,745,804)</u>	<u>(\$14,668,394)</u>

As indicated above, human services and health programs provided to the County's citizenry are 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 \$56,216,685 and expenditures of \$60,335,860.

The General Fund balance decreased by \$1,130,333. This decrease was due primarily to the reporting of bond anticipation notes as fund liabilities in 2005 whereas these were reported as long-term debt in 2004. A significant increase in the legislative program expenditures also contributed to the fund balance decrease, which was related to an increase in salary expenditures.

The Public Assistance Fund expenditures exceeded revenues and other financing sources by \$45,733. The ending fund balance was \$915,041.

The Motor Vehicle Gas Tax Fund revenues and other financing sources exceeded expenditures by \$284,486. The ending fund balance was \$1,850,395.

The Board of Mental Retardation and Developmental Disabilities Fund revenues and other financing sources exceeded expenditures by \$234,168. The ending fund balance was \$1,337,340.

The Children Services Fund expenditures exceeded revenues by \$269,418. The ending fund balance was \$1,151,377.

The Jail Construction Fund balance decreased by \$3,091,441 mainly due to the project nearing completion.

The Sewer Fund reflects operating income of \$840,915 for 2005. 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 2005, the County amended its General Fund budget as needed. There was not a significant change in revenue amounts reflected in the original and final budget as well as with actual revenue received during the year.

The variance from original budget expenditure amounts to the final budget expenditure amounts and from the final budget to actual expenditures was also considered insignificant.

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Table 4  
Capital Assets

	Governmental Activities		Business-Type Activities	
	Restated		Restated	
	2005	2004	2005	2004
Land	\$1,851,742	\$1,838,266	\$0	\$0
Construction in Progress	11,348,404	2,479,064	1,090,867	369,222
Land Improvements	6,873	8,573	0	0
Buildings and Building Improvements	22,182,144	22,729,247	5,026,904	5,166,675
Furniture, Fixtures, and Equipment	1,391,544	959,154	63,128	108,301
Vehicles	1,248,877	1,572,687	35,574	47,552
Infrastructure	4,347,960	2,832,197	8,894,766	8,705,815
<b>Totals</b>	<b>\$42,377,544</b>	<b>\$32,419,188</b>	<b>\$15,111,239</b>	<b>\$14,397,565</b>

The increase in infrastructure in the governmental activities was the result of the County adding \$1,694,492 in roads, bridges, and other infrastructure assets during 2005. The increase in construction in progress is primarily due to the construction on the County's new jail. See Note 11 of the notes to the basic financial statements for more detailed capital asset information.

**Debt**

At December 31, 2005, Scioto County had \$21,228,703 in long-term debt outstanding.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
General Obligation Bonds	\$13,003,425	\$13,663,916	\$3,878,129	\$4,019,289
Mortgage Revenue				
Bonds Payable	0	0	165,000	195,000
FHA Bonds Payable	0	0	3,152,910	3,199,094
Loans Payable	53,629	60,201	283,880	300,104
Bond Anticipation				
Notes Payable - Long-Term	497,000	952,000	0	0
Capital Leases	194,730	322,377	0	0
<b>Totals</b>	<b>\$13,748,784</b>	<b>\$14,998,494</b>	<b>\$7,479,919</b>	<b>\$7,713,487</b>

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The Human Services Refunding Bond is being paid with monies received from the County's Public Assistance Fund. 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 receipted into the General Fund and then transferred to the Debt Service Fund. The Jail Construction Fund Bond is being paid from general revenues of the County.

The loan payable will be paid from the Mental Retardation and Developmental Disabilities Special Revenue Fund. The long-term portion of the Human Services Building Acquisition Bond Anticipation Note of \$210,000 will be paid from the Bond Retirement Debt Service Fund with monies received from the Public Assistance Fund.

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

The County's overall legal debt margin was \$17,528,778 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$6,022,531 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.

#### **CURRENT ISSUES**

Scioto County continues to experience a high level of construction activity. Construction continues on the Super Wal-Mart project that was envisioned for late 2005 but was delayed due to environmental clean up activities. It is now expected to be completed in 2007.

In 2006, the County completed and is operating a new jail facility. Eighteen (18) new jobs were created at this facility. Several new small businesses have located in the County, or are in the process of constructing new facilities.

Sales Tax revenue, which is the largest single revenue source for the County, is stable and slightly above last year. The Commissioners passed several user fees increases, and increased the Real Estate Transfer Tax effective January 1, 2006.

The County has undertaken an energy reduction plan, installing new energy efficient equipment and lighting in the Courthouse and the Department of Job and Family Services Office. This effort should reduce future utility costs.

The greatest challenges for the County are the continuing reduction in most areas of State funding, increased gasoline and diesel prices, and escalating costs of the criminal justice system.

***SCIOTO COUNTY, OHIO***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	STAR Inc.	Scioto County Airport Authority
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$8,980,556	\$676,172	\$9,656,728	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	79,386	69,806	149,192	164,092	83,228
Cash and Cash Equivalents With Escrow Agent	305,088	0	305,088	0	0
Accrued Interest Receivable	1,168	0	1,168	0	291
Materials and Supplies Inventory	278,208	5,711	283,919	5,155	0
Accounts Receivable	38,415	960,022	998,437	25,435	0
Prepaid Items	114,642	9,434	124,076	0	819
Cash and Cash Equivalents With Trustee	271,023	152,836	423,859	0	0
Sales Taxes Receivable	1,322,302	0	1,322,302	0	0
Property Taxes Receivable	6,273,365	0	6,273,365	0	0
Revenue in Lieu of Taxes Receivable	41,344	0	41,344	0	0
Due From Other Governments	6,608,087	836,198	7,444,285	0	76,825
Due From Component Unit	166,198	0	166,198	0	0
Loans Receivable	805,986	0	805,986	0	0
Deferred Charges	166,296	65,150	231,446	0	0
Investment in Joint Venture	15,172	0	15,172	0	0
Capital Assets:					
Land and Construction in Progress	13,200,146	1,090,867	14,291,013	0	255,187
Depreciable Capital Assets, Net	29,177,398	14,020,372	43,197,770	42,780	1,275,252
<b>Total Assets</b>	<b>67,844,780</b>	<b>17,886,568</b>	<b>85,731,348</b>	<b>237,462</b>	<b>1,691,602</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	674,843	28,487	703,330	1,087	624
Contracts Payable	460,042	525,416	985,458	0	35,958
Accrued Wages and Benefits Payable	490,705	10,151	500,856	4,941	0
Due To Other Governments	1,422,006	76,156	1,498,162	0	0
Due To Primary Government	0	0	0	0	166,198
Accrued Interest Payable	67,141	124,474	191,615	0	0
Personal Leave Balances Payable	4,742	0	4,742	0	0
Retainage Payable	305,088	60,648	365,736	0	5,274
Deferred Revenue	5,895,190	0	5,895,190	0	0
Notes Payable	900,000	322,000	1,222,000	0	0
Long-Term Liabilities:					
Due Within One Year	1,980,702	306,439	2,287,141	10,098	0
Due in More Than One Year	13,785,132	7,262,004	21,047,136	941	0
<b>Total Liabilities</b>	<b>25,985,591</b>	<b>8,715,775</b>	<b>34,701,366</b>	<b>17,067</b>	<b>208,054</b>
<b><u>Net Assets:</u></b>					
Invested in Capital Assets, Net of Related Debt	30,786,969	7,374,470	38,161,439	31,741	1,275,252
Restricted for:					
Debt Service	61,079	0	61,079	0	0
Public Safety	1,827,962	0	1,827,962	0	0
Human Services	2,602,103	0	2,602,103	0	0
Public Works	3,156,141	0	3,156,141	0	0
Health	1,555,006	0	1,555,006	0	0
Community and Economic Development	1,538,973	0	1,538,973	0	0
Other Purposes	696,810	0	696,810	0	0
Replacement and Improvements	798,587	40,000	838,587	0	0
Future Debt Service	271,023	112,836	383,859	0	0
Unrestricted (Deficit)	(1,435,464)	1,643,487	208,023	188,654	208,296
<b>Total Net Assets (Deficit)</b>	<b>\$41,859,189</b>	<b>\$9,170,793</b>	<b>\$51,029,982</b>	<b>\$220,395</b>	<b>\$1,483,548</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2005

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b><u>Governmental Activities:</u></b>				
General Government:				
Legislative and Executive	\$6,980,041	\$1,903,202	\$44,683	\$0
Judicial	2,214,762	860,122	53,585	0
Public Safety:				
Sheriff	3,977,243	1,268,273	37,236	5,985,000
Other	3,205,370	671,299	945,821	0
Public Works	3,755,993	52,212	4,224,203	0
Health	6,680,087	339,256	3,802,926	0
Human Services	18,956,519	283,465	16,837,457	0
Conservation and Recreation	500,464	5,050	44,321	0
Economic Development and Assistance	1,101,206	6,000	440,491	0
Transportation	920,147	560,228	232,505	755,402
Interest and Fiscal Charges	734,820	0	0	0
<i>Total Governmental Activities</i>	49,026,652	5,949,107	26,663,228	6,740,402
<b><u>Business-Type Activities:</u></b>				
Sewer	2,364,845	2,839,906	0	453,050
<i>Total Primary Government</i>	\$51,391,497	\$8,789,013	\$26,663,228	\$7,193,452
<b><u>Component Units:</u></b>				
STAR Inc.	\$375,728	\$237,894	\$116,139	\$0
Scioto County Airport Authority	178,864	75,566	0	227,476
<i>Total Component Unit Activities</i>	\$554,592	\$313,460	\$116,139	\$227,476

**General Revenues:**

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

**Transfers**

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets at Beginning of Year - Restated (See Note 3)*

*Net Assets at 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	
(\$5,032,156)	\$0	(\$5,032,156)	\$0	\$0	\$0
(1,301,055)	0	(1,301,055)	0	0	0
3,313,266	0	3,313,266	0	0	0
(1,588,250)	0	(1,588,250)	0	0	0
520,422	0	520,422	0	0	0
(2,537,905)	0	(2,537,905)	0	0	0
(1,835,597)	0	(1,835,597)	0	0	0
(451,093)	0	(451,093)	0	0	0
(654,715)	0	(654,715)	0	0	0
627,988	0	627,988	0	0	0
(734,820)	0	(734,820)	0	0	0
(9,673,915)	0	(9,673,915)	0	0	0
0	928,111	928,111	0	0	0
(9,673,915)	928,111	(8,745,804)	0	0	0
0	0	0	(21,695)	0	0
0	0	0	0	124,178	124,178
0	0	0	(21,695)	124,178	124,178
1,838,216	0	1,838,216	0	0	0
2,330,792	0	2,330,792	0	0	0
593,546	0	593,546	0	0	0
183,194	0	183,194	0	0	0
8,449,420	0	8,449,420	0	0	0
40,648	0	40,648	0	0	0
1,603,520	0	1,603,520	0	0	0
509,822	2,815	512,637	4,291	291	291
618,934	42,501	661,435	379	598	598
(68,452)	68,452	0	0	0	0
16,099,640	113,768	16,213,408	4,670	889	889
6,425,725	1,041,879	7,467,604	(17,025)	125,067	125,067
35,433,464	8,128,914	43,562,378	237,420	1,358,481	1,358,481
\$41,859,189	\$9,170,793	\$51,029,982	\$220,395	\$1,483,548	\$1,483,548

**SCIOTO COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2005

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$266,979	\$884,313	\$1,186,350
Cash and Cash Equivalents in Segregated Accounts	18,150	10,379	248
Receivables:			
Sales Tax	1,322,302	0	0
Property Taxes	1,705,078	0	0
Accounts	1,285	0	2,508
Accrued Interest	1,168	0	0
Interfund	37,724	38,509	0
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	740,929	828,348	2,271,599
Prepaid Items	56,309	18,475	21,272
Materials and Supplies Inventory	16,247	15,001	228,117
Due from Component Unit	166,198	0	0
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
Cash and Cash Equivalents with Trustee	0	0	0
Unclaimed Monies	194,822	0	0
<b>Total Assets</b>	<b><u>\$4,527,191</u></b>	<b><u>\$1,795,025</u></b>	<b><u>\$3,710,094</u></b>
<b><u>Liabilities:</u></b>			
Accounts Payable	\$157,416	\$127,997	\$172,690
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	123,262	91,379	85,608
Personal Leave Balances Payable	0	0	0
Due to Other Governments	352,973	547,363	89,185
Interfund Payable	0	113,245	0
Retainage Payable from Restricted Assets	0	0	0
Accrued Interest Payable	2,893	0	0
Deferred Revenue	2,315,095	0	1,512,216
Notes Payable	640,000	0	0
<b>Total Liabilities</b>	<b><u>3,591,639</u></b>	<b><u>879,984</u></b>	<b><u>1,859,699</u></b>
<b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	103,494	0	64,208
Reserved for Unclaimed Monies	194,822	0	0
Reserved for Loans Receivable	0	0	0
Reserved for Due From Component Unit	24,171	0	0
Reserved for Future Debt Service	0	0	0
Unreserved, Undesignated Reported in:			
General Fund	613,065	0	0
Special Revenue Funds	0	915,041	1,786,187
Debt Service Fund	0	0	0
Capital Projects Funds (Deficit)	0	0	0
<b>Total Fund Balances</b>	<b><u>935,552</u></b>	<b><u>915,041</u></b>	<b><u>1,850,395</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$4,527,191</u></b>	<b><u>\$1,795,025</u></b>	<b><u>\$3,710,094</u></b>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Jail Construction	Nonmajor Governmental Funds	Total
\$1,490,126	\$889,694	\$335,304	\$3,732,968	\$8,785,734
0	138	0	50,471	79,386
0	0	0	0	1,322,302
3,869,351	599,988	0	98,948	6,273,365
4,609	0	0	30,013	38,415
0	0	0	0	1,168
9,893	37,467	0	57,351	180,944
31,323	8,521	0	1,500	41,344
385,254	790,543	518,331	1,073,083	6,608,087
12,913	3,145	0	2,528	114,642
0	500	0	18,343	278,208
0	0	0	0	166,198
0	0	0	805,986	805,986
0	0	305,088	0	305,088
0	0	0	271,023	271,023
0	0	0	0	194,822
<u>\$5,803,469</u>	<u>\$2,329,996</u>	<u>\$1,158,723</u>	<u>\$6,142,214</u>	<u>\$25,466,712</u>
\$47,493	\$57,421	\$0	\$111,826	\$674,843
0	0	436,908	23,134	460,042
62,775	61,126	1,600	64,955	490,705
0	4,742	0	0	4,742
176,785	68,584	1,180	185,936	1,422,006
0	0	0	67,699	180,944
0	0	305,088	0	305,088
0	0	0	1,156	4,049
4,179,076	986,746	0	718,059	9,711,192
0	0	0	260,000	900,000
<u>4,466,129</u>	<u>1,178,619</u>	<u>744,776</u>	<u>1,432,765</u>	<u>14,153,611</u>
61,815	19,435	10,930	71,496	331,378
0	0	0	0	194,822
0	0	0	680,295	680,295
0	0	0	0	24,171
0	0	0	271,023	271,023
0	0	0	0	613,065
1,275,525	1,131,942	0	3,677,935	8,786,630
0	0	0	116,364	116,364
0	0	403,017	(107,664)	295,353
<u>1,337,340</u>	<u>1,151,377</u>	<u>413,947</u>	<u>4,709,449</u>	<u>11,313,101</u>
<u>\$5,803,469</u>	<u>\$2,329,996</u>	<u>\$1,158,723</u>	<u>\$6,142,214</u>	<u>\$25,466,712</u>

**SCIOTO COUNTY, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2005

<b>Total Governmental Fund Balances</b>		\$11,313,101
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	1,851,742	
Construction in progress	11,348,404	
Other depreciable capital assets	41,849,233	
Accumulated depreciation	<u>(12,671,835)</u>	
Total capital assets		42,377,544
 The County also has an investment interest in joint venture assets, which is part of the County's overall governmental activities.		
		15,172
 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	707,313	
Revenue in lieu of taxes	41,344	
Intergovernmental	2,901,093	
Interest	54	
Miscellaneous	<u>166,198</u>	
		3,816,002
 Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.		
		166,296
 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	(13,003,425)	
Notes payable	(497,000)	
Loans payable	(53,629)	
Accrued interest payable	(63,092)	
Capital leases payable	(194,730)	
Compensated absences	<u>(2,017,050)</u>	
Total liabilities		<u>(15,828,926)</u>
 <b>Net Assets of Governmental Activities</b>		 <u><u>\$41,859,189</u></u>

See Accompanying Notes to the Basic Financial Statements

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**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Revenues:</u></b>			
Property Taxes	\$1,840,455	\$0	\$0
Sales Tax	8,449,420	0	0
Revenue in Lieu of Taxes	0	0	0
Charges for Services	1,353,034	48,888	26,881
Licenses and Permits	6,025	0	0
Fines and Forfeitures	329,056	0	25,331
Intergovernmental	1,348,130	13,081,876	4,398,501
Interest	468,862	0	27,437
Rent	2,577	0	0
Contributions and Donations	0	0	0
Miscellaneous	226,010	0	54,492
<i>Total Revenues</i>	<u>14,023,569</u>	<u>13,130,764</u>	<u>4,532,642</u>
<b><u>Expenditures:</u></b>			
Current:			
General Government:			
Legislative and Executive	6,721,564	0	0
Judicial	1,814,574	0	0
Public Safety:			
Sheriff	2,630,089	0	0
Other	434,431	0	0
Public Works	10,414	0	4,442,100
Health	214,515	0	0
Human Services	345,877	13,678,837	0
Conservation and Recreation	218,098	0	0
Economic Development and Assistance	98,605	0	0
Transportation	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	319,792	4,504	0
Interest and Fiscal Charges	28,992	254	0
Principal Retirement - Current Refunding	25,000	0	0
<i>Total Expenditures</i>	<u>12,861,951</u>	<u>13,683,595</u>	<u>4,442,100</u>
Excess of Revenues Over (Under) Expenditures	<u>1,161,618</u>	<u>(552,831)</u>	<u>90,542</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Notes Issued	287,000	0	0
Inception of Capital Lease	10,725	0	0
Transfers In	6,000	507,098	193,944
Current Refunding	(292,000)	0	0
Transfers Out	(2,303,676)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(2,291,951)</u>	<u>507,098</u>	<u>193,944</u>
<i>Net Change in Fund Balances</i>	<u>(1,130,333)</u>	<u>(45,733)</u>	<u>284,486</u>
<i>Fund Balances at Beginning of Year</i>	<u>2,065,885</u>	<u>960,774</u>	<u>1,565,909</u>
<i>Fund Balances at End of Year</i>	<u>\$935,552</u>	<u>\$915,041</u>	<u>\$1,850,395</u>

See Accompanying Notes to the Basic Financial Statements



Board of Mental Retardation and Developmental Disabilities	Children Services	Jail Construction	Nonmajor Governmental Funds	Total
\$2,105,251	\$595,120	\$0	\$213,909	\$4,754,735
0	0	0	0	8,449,420
24,752	6,808	0	838	32,398
293,412	37,467	0	3,404,132	5,163,814
0	0	0	32,190	38,215
0	0	0	73,092	427,479
4,076,862	2,746,767	5,985,000	4,209,951	35,847,087
2,819	0	0	10,775	509,893
0	0	0	317,022	319,599
21,640	6,904	0	0	28,544
41,619	938	0	322,442	645,501
<u>6,566,355</u>	<u>3,394,004</u>	<u>5,985,000</u>	<u>8,584,351</u>	<u>56,216,685</u>
0	0	110,619	656,654	7,488,837
0	0	0	377,915	2,192,489
0	0	0	1,126,120	3,756,209
0	0	0	2,602,740	3,037,171
0	0	0	0	4,452,514
6,364,185	0	0	246,387	6,825,087
0	3,663,422	0	1,118,276	18,806,412
0	0	0	55,144	273,242
0	0	0	1,013,093	1,111,698
0	0	0	854,834	854,834
0	0	8,840,958	668,724	9,509,682
20,476	0	0	929,455	1,274,227
5,242	0	0	683,970	718,458
0	0	0	10,000	35,000
<u>6,389,903</u>	<u>3,663,422</u>	<u>8,951,577</u>	<u>10,343,312</u>	<u>60,335,860</u>
<u>176,452</u>	<u>(269,418)</u>	<u>(2,966,577)</u>	<u>(1,758,961)</u>	<u>(4,119,175)</u>
0	0	0	210,000	497,000
57,716	0	0	0	68,441
0	0	0	1,779,054	2,486,096
0	0	0	(220,000)	(512,000)
0	0	(124,864)	(126,008)	(2,554,548)
<u>57,716</u>	<u>0</u>	<u>(124,864)</u>	<u>1,643,046</u>	<u>(15,011)</u>
234,168	(269,418)	(3,091,441)	(115,915)	(4,134,186)
<u>1,103,172</u>	<u>1,420,795</u>	<u>3,505,388</u>	<u>4,825,364</u>	<u>15,447,287</u>
<u>\$1,337,340</u>	<u>\$1,151,377</u>	<u>\$413,947</u>	<u>\$4,709,449</u>	<u>\$11,313,101</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, 2005

**Net Change in Fund Balances - Total Governmental Funds** (\$4,134,186)

*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	2,570,197	
Construction in progress additions	8,869,340	
Depreciation expense	(1,354,903)	
Excess of capital outlay over depreciation expense	10,084,634	10,084,634

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale.

Loss on disposal of capital assets	(126,278)	(126,278)
------------------------------------	-----------	-----------

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	191,013	
Revenue in lieu of taxes	8,250	
Intergovernmental	(868,481)	
Interest	(71)	
Miscellaneous	(26,567)	
	(695,856)	(695,856)

Decrease in the County's equity portion of the joint venture. (21,547)

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

Bond Anticipation Notes	(497,000)	(497,000)
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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. (68,441)

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. (10,067)

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 payments	6,572	
Bond principal payments	666,567	
Bond anticipation notes principal payments	952,000	
Capital lease payments	196,088	
Total long-term debt repayment	1,821,227	1,821,227

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

Decrease in compensated absences payable	79,534	79,534
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and bond issuance costs are recognized as expenditures when incurred, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and bond issuance costs are deferred and amortized. The additional amount of interest and fiscal charges on the Statement of Activities is the result of the following:

Increase in Accrued Interest	(219)	
Amortization of Premium on General Obligation Bonds	205	
Amortization of Loss on Refunding	(6,281)	
	(6,295)	(6,295)

**Change in Net Assets of Governmental Activities** \$6,425,725

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,660,000	\$1,823,133	\$1,827,846	\$4,713
Sales Tax	8,262,708	8,575,000	8,564,680	(10,320)
Charges for Services	1,379,237	1,431,366	1,348,935	(82,431)
Licenses and Permits	0	0	6,025	6,025
Fines and Forfeitures	331,954	344,500	324,708	(19,792)
Intergovernmental	1,268,908	1,316,867	1,348,129	31,262
Interest	458,623	475,957	466,694	(9,263)
Rent	2,483	2,577	2,577	0
Miscellaneous	142,414	147,797	224,290	76,493
<b>Total Revenues</b>	<b>13,506,327</b>	<b>14,117,197</b>	<b>14,113,884</b>	<b>(3,313)</b>
<b><u>Expenditures:</u></b>				
Current:				
General Government:				
Legislative and Executive	5,853,066	6,797,489	6,745,950	51,539
Judicial	1,573,117	1,841,710	1,827,066	14,644
Public Safety:				
Sheriff	2,570,249	2,787,823	2,781,094	6,729
Other	428,782	457,972	453,560	4,412
Public Works	172,860	4,400	3,500	900
Health	253,285	214,729	214,575	154
Human Services	706,783	356,152	344,640	11,512
Conservation and Recreation	162,186	166,548	164,807	1,741
Economic Development and Assistance	99,917	105,543	104,189	1,354
Debt Service:				
Principal Retirement	46,567	51,567	478,567	(427,000)
Interest and Fiscal Charges	18,644	13,473	13,455	18
<b>Total Expenditures</b>	<b>11,885,456</b>	<b>12,797,406</b>	<b>13,131,403</b>	<b>(333,997)</b>
Excess of Revenues Over (Under) Expenditures	1,620,871	1,319,791	982,481	(337,310)
<b><u>Other Financing Sources (Uses):</u></b>				
Issuance of Notes	0	500,000	927,000	427,000
Advances In	0	0	99,036	99,036
Advances Out	0	0	(88,396)	(88,396)
Transfers In	78,883	81,864	6,000	(75,864)
Transfers Out	(1,699,755)	(2,352,658)	(2,329,927)	22,731
<b>Total Other Financing Sources (Uses)</b>	<b>(1,620,872)</b>	<b>(1,770,794)</b>	<b>(1,386,287)</b>	<b>384,507</b>
Net Changes in Fund Balance	(1)	(451,003)	(403,806)	47,197
Fund Balance at Beginning of Year	385,829	385,829	385,829	0
Prior Year Encumbrances Appropriated	230,478	230,478	230,478	0
<b>Fund Balance at End of Year</b>	<b>\$616,306</b>	<b>\$165,304</b>	<b>\$212,501</b>	<b>\$47,197</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Public Assistance Special Revenue Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b><u>Revenues:</u></b>				
Intergovernmental	\$13,055,698	\$13,478,886	\$13,774,068	\$295,182
<b><u>Expenditures:</u></b>				
Current:				
Human Services	<u>13,984,724</u>	<u>14,063,192</u>	<u>13,761,619</u>	<u>301,573</u>
Excess of Revenues Over (Under) Expenditures	(929,026)	(584,306)	12,449	596,755
<b><u>Other Financing Sources:</u></b>				
Transfers In	<u>484,302</u>	<u>500,000</u>	<u>507,098</u>	<u>7,098</u>
Net Changes in Fund Balance	(444,724)	(84,306)	519,547	603,853
Fund Balance at Beginning of Year	5,838	5,838	5,838	0
Prior Year Encumbrances Appropriated	<u>78,468</u>	<u>78,468</u>	<u>78,468</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>(\$360,418)</u>	<u>\$0</u>	<u>\$603,853</u>	<u>\$603,853</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Motor Vehicle Gas Tax Special Revenue Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Charges for Services	\$20,314	\$21,078	\$26,975	\$5,897
Fines and Forfeitures	24,094	25,000	25,808	808
Intergovernmental	3,812,086	3,955,432	4,311,348	355,916
Interest	8,674	9,000	23,996	14,996
Miscellaneous	75,580	78,422	54,017	(24,405)
<i>Total Revenues</i>	3,940,748	4,088,932	4,442,144	353,212
<b><u>Expenditures:</u></b>				
Current:				
Public Works	4,915,000	5,123,031	4,525,030	598,001
Excess of Revenues Over (Under) Expenditures	(974,252)	(1,034,099)	(82,886)	951,213
<b><u>Other Financing Sources:</u></b>				
Transfers In	192,752	200,000	193,944	(6,056)
Net Changes in Fund Balance	(781,500)	(834,099)	111,058	945,157
Fund Balance at Beginning of Year	633,415	633,415	633,415	0
Prior Year Encumbrances Appropriated	200,830	200,830	200,830	0
Fund Balance at End of Year	<u>\$52,745</u>	<u>\$146</u>	<u>\$945,303</u>	<u>\$945,157</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Board of Mental Retardation and Developmental Disabilities Special Revenue Fund  
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance Positive (Negative)
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b><u>Revenues:</u></b>				
Property Taxes	\$2,100,000	\$1,845,881	\$2,007,735	\$161,854
Revenue in Lieu of Taxes	31,052	24,752	24,752	0
Charges for Services	904,621	641,382	309,167	(332,215)
Intergovernmental	5,421,685	4,321,753	4,372,389	50,636
Interest	1,255	1,000	2,563	1,563
Contributions and Donations	11,918	9,500	33,498	23,998
Miscellaneous	19,570	15,600	70,605	55,005
<b>Total Revenues</b>	<b>8,490,101</b>	<b>6,859,868</b>	<b>6,820,709</b>	<b>(39,159)</b>
<b><u>Expenditures:</u></b>				
Current:				
Health	8,608,463	7,326,170	6,369,228	956,942
Debt Service:				
Principal Retirement	0	6,572	6,572	0
Interest and Fiscal Charges	0	1,972	1,972	0
<b>Total Expenditures</b>	<b>8,608,463</b>	<b>7,334,714</b>	<b>6,377,772</b>	<b>956,942</b>
Net Changes in Fund Balance	(118,362)	(474,846)	442,937	917,783
Fund Balance at Beginning of Year	749,847	749,847	749,847	0
Prior Year Encumbrances Appropriated	74,889	74,889	74,889	0
Fund Balance at End of Year	<u>\$706,374</u>	<u>\$349,890</u>	<u>\$1,267,673</u>	<u>\$917,783</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
Children Services Special Revenue Fund  
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$610,000	\$529,814	\$588,253	\$58,439
Revenue in Lieu of Taxes	6,941	6,808	6,808	0
Intergovernmental	2,712,123	2,660,305	2,673,456	13,151
Contributions and Donations	18,860	18,500	6,904	(11,596)
Miscellaneous	62,076	60,890	896	(59,994)
<i>Total Revenues</i>	3,410,000	3,276,317	3,276,317	0
<b><u>Expenditures:</u></b>				
Current:				
Human Services	3,960,056	4,005,406	3,687,633	317,773
Net Changes in Fund Balance	(550,056)	(729,089)	(411,316)	317,773
Fund Balance at Beginning of Year	1,165,445	1,165,445	1,165,445	0
Prior Year Encumbrances Appropriated	45,349	45,349	45,349	0
Fund Balance at End of Year	<u>\$660,738</u>	<u>\$481,705</u>	<u>\$799,478</u>	<u>\$317,773</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fund Net Assets  
Enterprise Fund  
December 31, 2005

	<i>Sewer</i>
<b><u>Assets:</u></b>	
<b><u>Current Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$676,172
Cash and Cash Equivalents in Segregated Accounts	69,806
Materials and Supplies Inventory	5,711
Accounts Receivable	960,022
Due From Other Governments	836,198
Prepaid Items	9,434
	<u>2,557,343</u>
<i>Total Current Assets</i>	
<b><u>Non-Current Assets:</u></b>	
Restricted Assets:	
Cash and Cash Equivalents with Trustee	152,836
Deferred Charges	65,150
Capital Assets:	
Land and Construction in Progress	1,090,867
Depreciable Capital Assets, Net	14,020,372
	<u>15,329,225</u>
<i>Total Non-Current Assets</i>	
<i>Total Assets</i>	<u>17,886,568</u>
<b><u>Liabilities:</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable	28,487
Contracts Payable	525,416
Accrued Wages and Benefits Payable	10,151
Due To Other Governments	76,156
Accrued Interest Payable	124,474
Retainage Payable	60,648
General Obligation Bonds Payable	158,481
Mortgage Revenue Bonds Payable	30,000
Farmer's Home Administration Bonds Payable	48,348
Ohio Public Works Commission Loans Payable	16,224
Rigrish Sewer Bond Anticipation Note Payable	322,000
Compensated Absences Payable	53,386
	<u>1,453,771</u>
<i>Total Current Liabilities</i>	
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>	
General Obligation Bonds Payable	3,719,648
Mortgage Revenue Bonds Payable	135,000
Farmer's Home Administration Bonds Payable	3,104,562
Ohio Public Works Commission Loans Payable	267,656
Compensated Absences Payable	35,138
	<u>7,262,004</u>
<i>Total Long-Term Liabilities</i>	
<i>Total Liabilities</i>	<u>8,715,775</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	7,374,470
Restricted for:	
Replacement and Improvements	40,000
Future Debt Service	112,836
Unrestricted	1,643,487
	<u>\$9,170,793</u>
<i>Total Net Assets</i>	

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, 2005

	<i>Sewer</i>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$2,839,906
<b><u>Operating Expenses:</u></b>	
Personal Services	751,119
Fringe Benefits	142,108
Contractual Services	615,754
Materials and Supplies	73,953
Depreciation	411,906
Other	4,151
<i>Total Operating Expenses</i>	1,998,991
Operating Income	840,915
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest Income	2,815
Interest and Fiscal Charges	(365,854)
Other Non-Operating Revenues	42,501
<i>Total Non-Operating Revenues (Expenses)</i>	(320,538)
Income Before Transfers and Capital Contributions	520,377
Transfers In	68,452
Capital Grants and Contributions	453,050
<i>Net Income</i>	1,041,879
<i>Net Assets At Beginning of Year - Restated (Note 3)</i>	8,128,914
<i>Net Assets At End of Year</i>	\$9,170,793

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Cash Flows  
Enterprise Fund  
For the Year Ended December 31, 2005

	<i>Sewer</i>
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Charges for Services	\$2,292,777
Other Non-Operating Revenues	64,268
Cash Payments to Suppliers for Goods and Services	(677,675)
Cash Payments to Employees for Services	(725,975)
Cash Payments for Employee Benefits	(154,816)
Cash Payments for Other Operating Expenses	(4,151)
	794,428
<i>Net Cash Provided by Operating Activities</i>	<i>794,428</i>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Proceeds of Bond Anticipation Note	322,000
Capital Grants Received	216,852
Aquisition of Capital Assets	(478,712)
Principal paid on Bonds, Notes and Loans	(244,885)
Interest paid on Bonds, Notes and Loans	(344,901)
	(529,646)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<i>(529,646)</i>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest Income	2,815
	2,815
<i>Net Increase in Cash and Cash Equivalents</i>	<i>267,597</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>631,217</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$898,814</i>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating Income	\$840,915
 <b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u></b>	
Depreciation	411,906
Other Non-Operating Revenues	64,268
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(547,129)
Increase in Prepaid Items	(61)
Increase in Materials and Supplies Inventory	(418)
Decrease in Accounts Payable	(1,128)
Increase in Compensated Absences Payable	11,861
Increase in Intergovernmental Payable	26,438
Decrease in Accrued Wages Payable	(12,224)
	(46,487)
<i>Total Adjustments</i>	<i>(46,487)</i>
<i>Net Cash Provided by Operating Activities</i>	<i>\$794,428</i>
 <b><u>Noncash Capital Financing Activities</u></b>	

For the year ended December 31, 2005, the County's enterprise fund had been awarded grants for capital improvements but had not received the monies at year-end. The amount of these non-cash transactions was \$236,198.

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2005

<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$3,714,200
Cash and Cash Equivalents in Segregated Accounts	467,018
Receivables:	
Property Taxes	33,089,260
Accounts	896,784
Revenue in Lieu of Taxes	384,695
Due from Other Governments	<u>3,524,103</u>
<i>Total Assets</i>	<u><u>\$42,076,060</u></u>
<b><u>Liabilities:</u></b>	
Due to Other Governments	\$37,909,842
Undistributed Monies	<u>4,166,218</u>
<i>Total Liabilities</i>	<u><u>\$42,076,060</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.

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

**DISCRETELY PRESENTED COMPONENT UNITS**

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

**STAR, Inc.**

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

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

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*

The Scioto County Airport Authority operates under a separate board that consists of five members appointed by the County Commissioners. The airport authority generates revenue from sales of fuel, 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 Airport Facilities Bond and the Airport Facilities Bond Anticipation Note 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 26 relates to the primary government. Information related to the discretely presented component units is presented in Note 27.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activities of the following districts and agencies are presented as agency funds within the County's financial statements.

*Scioto County Board of Health*  
*Soil and Water Conservation District*  
*STAR Community Justice Center*

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

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

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

*County Risk Sharing Authority, Inc. (CORSA)*  
*County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan*  
*Southern Ohio Port Authority*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Scioto County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards 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 more significant of the County's accounting policies are described below.

**BASIS OF PRESENTATION**

The County's Basic Financial Statements consist of government-wide statements, including a Statement of Net 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS**

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and 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.

**FUND ACCOUNTING**

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

**GOVERNMENTAL FUNDS**

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

*General* – 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.

*Jail Construction* – This fund accounts for monies received and disbursed for the purpose of the construction of the new County jail.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

*Enterprise Fund* – An enterprise fund 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 and businesses of the County.

**FIDUCIARY FUNDS**

Fiduciary funds focus 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 County when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees that are collected by the County and then re-distributed to other governmental entities.

**MEASUREMENT FOCUS**

*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 of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

*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. The 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 Revenues, Expenses and 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within 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 the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), federal and state subsidies and grants, 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. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met have also been recorded as deferred revenue.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 and fund. Budgetary modifications may only be made by resolution of the County Commissioners. The County reports unbudgeted activity on the financial statements due to the County's unclaimed monies fund being classified as an agency fund on the County's books, but which is included with the General Fund for GAAP reporting purposes.

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

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

**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 Pooled 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 financial statements 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 these accounts are presented as “Restricted Assets: Cash and Cash Equivalents with Trustee.”

The County also has escrow accounts to hold retainage amounts still owed to contractors. The amounts in these accounts are presented as “Restricted Assets: Cash and Cash Equivalents with Escrow Agent,” on the financial statements.

During the year, the County’s investments were limited to repurchase agreements, STAROhio, and certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2005. 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, 2005.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2005 amounted to \$468,862, which includes \$456,556 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 expended/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, 2005, 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)**

**INTERFUND RECEIVABLES/PAYABLES**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivable” and “Interfund Payable.” Interfund balances are eliminated on the government-wide Statement of Net Assets.

**CAPITAL ASSETS**

General capital assets are capital assets that are associated with and generally rise 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.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of 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 system consists 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. The County is only reporting amounts for assets acquired after 2002. The County plans to phase in the prior years’ amounts in future years.

**COMPENSATED ABSENCES**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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 fund 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, 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, loans receivable, due from component unit, and future debt service. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. The reserve for due from component unit represents the amount the Scioto County Airport Authority owes the County for the debt service payments relating to the Airport Hanger Bonds that were issued by the County. The reserve for loans receivable is the portion of the revolving loan fund that is not available for appropriation during the current year. The reserve for future debt service is the amount required by the Shelton Bond covenant to be maintained in a separate bank account for debt service payments.

**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 set aside for the replacement and improvement of capital assets originally acquired with bond proceeds and for repayment of future debt service that are required by the bond indentures to be held by a financial services corporation. The bond indentures for the Shelton Bonds and the Sewer System Refunding Bonds require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses. These, as well as other bond indentures of the County, have restrictions on the use of resources.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BOND PREMIUMS AND ISSUANCE COSTS**

Premiums and issuance costs for government-wide statements and proprietary fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase to the face amount of bonds payable whereas issuance costs are recorded as deferred charges. The accounting loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**CONTRIBUTIONS OF CAPITAL**

Contributions of capital assets arise from outside contributions to the Sewer Fund and grants restricted to capital acquisition or construction.

**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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

The government-wide Statement of Net Assets reports \$12,507,684 of restricted net assets, of which \$843,446 is restricted by enabling legislation.

**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 20). The County's share in year-end net assets 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 non-operating.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS**

For 2005, the County has implemented *GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3," GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* and *GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34"*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to risk, including credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the County's financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the County's financial statements for 2005.



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS (Continued)**

GASB Statement No. 46 clarifies how legal enforceability should be applied when determining whether net assets should be classified as restricted. The implementation of this new statement had no effect on the County’s financial statements for 2005.

For 2005, there were changes made to capital assets that resulted in the following change to net assets of Governmental Activities:

	Governmental Activities
Net Assets	
December 31, 2004	\$41,453,449
Adjustment to Capital Assets	(6,019,985)
Adjusted Net Assets, December 31, 2004	\$35,433,464

For 2005, there were changes made to capital assets that resulted in the following changes to net assets of Business-Type Activities and the Sewer Fund. The effect of this change resulted in the following restatement of fund net assets and net assets of the Business-Type Activities.

	Sewer Fund/Business- Type Activities
Fund Net Assets	
December 31, 2004	\$7,302,712
Adjustment to Capital Assets	826,202
Adjusted Fund Net Assets, December 31, 2004	\$8,128,914

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**ACCOUNTABILITY**

The Jail Construction Note Capital Projects Fund had a deficit fund balance of \$251,156 at December 31, 2005. This deficit is due to reporting a liability because of the refunding of the Jail Construction Bond Anticipation Note. The proceeds of the note were spent in prior years. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

**COMPLIANCE**

The Public Assistance Special Revenue Fund had original appropriations in excess of original estimated revenues and available fund balance of \$360,418 for the year ended December 31, 2005.

The Jail Construction Capital Projects Fund had original appropriations in excess of original estimated revenues and available fund balance of \$11,635 for the year ended December 31, 2005.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)**

The following programs had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 2005:

<u>Fund Type/Name/Program</u>	<u>Final Appropriations</u>	<u>Final Expenditures</u>	<u>Excess</u>
<i>General Fund:</i>			
Debt Service:			
Principal Retirement	\$51,567	\$478,567	(\$427,000)
<i>Capital Projects Fund:</i>			
Jail Construction Fund			
Debt Service:			
Principal Retirement	0	250,000	(250,000)
<i>Debt Service Fund:</i>			
Human Services Building Note Fund			
Debt Service:			
Principal Retirement	10,000	230,000	(220,000)

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 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) is presented for the General Fund and the Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Major Special Revenue Funds to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. Notes issued are presented as other financing sources (budget basis) as opposed to liabilities on the balance sheet (GAAP basis).
7. The County does not budget for the unclaimed monies activity which is reported as an agency fund on the County's books. However, the activity is included in the General Fund for GAAP reporting purposes.

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 Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	(\$1,130,333)	(\$45,733)	\$284,486	\$234,168	(\$269,418)
Increases (Decreases) Due To:					
Revenue Accruals	218,893	653,683	(85,584)	345,361	(94,513)
Expenditure Accruals	191,554	202,436	153,451	85,861	42,969
Encumbrances	(169,006)	(280,460)	(236,381)	(73,730)	(67,180)
Unrecorded Cash	(98,444)	(10,379)	(4,914)	(148,723)	(23,174)
Transfers	(26,251)	0	0	0	0
Advances	10,640	0	0	0	0
Notes Issued	640,000	0	0	0	0
Unbudgeted Activity	(40,859)	0	0	0	0
Budget Basis	<u>(\$403,806)</u>	<u>\$519,547</u>	<u>\$111,058</u>	<u>\$442,937</u>	<u>(\$411,316)</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the County into three categories.

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

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim 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.

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$21,880 of the County's bank balance of \$12,232,028 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**INVESTMENTS**

As of December 31, 2005, the County had the following investments. All investments are held in an internal investment pool.

	Fair Value	Maturity Date
STAROhio	\$10,078	average 60 days
Repurchase Agreements	3,568,071	01/03/06
Total	\$3,578,149	

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

*Credit Risk:* STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The underlying securities for the Repurchase Agreements are Federal Home Loan Mortgage Corporation Bonds, which are not rated, and Government National Mortgage Association Bonds which carry a credit rating of AAA. The County's investment policy limits investments to those authorized by State statute.

*Concentration of Credit Risk:* The County's investment policy places no limit on the amount it may invest in any one issuer. The County's repurchase agreement investments represent 99.7 percent of the County's total investments. The investment in STAROhio represents .3 percent of the County's total investments.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 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, 2005, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$580,088,080
Commercial/Industrial/Mineral	136,617,050
Public Utility Real	7,035,610
Tangible Personal Property:	
General	79,856,240
Public Utility Real	78,152,810
Total Assessed Value	<u><u>\$881,749,790</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

**NOTE 7 - PROPERTY TAXES (Continued)**

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, 2005, 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 2005 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 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a one and one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the 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 2005.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), accrued interest, interfund activity, receivables due in lieu of taxes, 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.

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 9 – RECEIVABLES (Continued)**

	<i>Amount</i>
<b>Governmental Activities:</b>	
Local Government	\$474,946
Local Government Revenue Assistance	141,981
Juvenile Detention Center Contractual Services	37,788
Human Services Grant	828,348
Child Support Poundage	16,454
Tuition Reimbursement	1,526
Child Support Reimbursements	761,139
Child Support Enforcement Agency Grant	4,958
Court Fines and Fees	32,565
Homestead and Rollback	329,138
REACH Grants	97,928
Felony Delinquent Care and Custody Grant	208,900
Community Corrections Act Grant	56,084
School Lunch Reimbursement	3,015
Special Education Grant	61,546
COPS	85,059
Social Security Incentive Program	2,000
Educational Options for Children	4,409
Rural Transit Grant	70,948
Hearing Impaired Grant	15,532
VOCA Grant	53,107
Jail Construction Grant	518,331
Community Development Block Grant	465,300
Supreme Court of Ohio Mediation Grant	17,187
Byrne Justice Assistance Grant	14,748
ODP Citizen's Corps Grant	2,319
Scioto County Juvenile Drug Court Grant	14,480
CASA/GAL Program Grant	8,000
Low and Moderate Income Trust Award	5,419
Emergency Management Grant	3,333
Gasoline Tax	1,064,523
Motor Vehicle License Tax	1,207,076
Total Governmental Activities	6,608,087
<b>Business-Type Activities:</b>	
Community Development Block Grant	600,000
Ohio Public Works Commission Grant	214,878
Rural Development Grant	21,320
Total Business-Type Activities	836,198
Total Intergovernmental Receivables	\$7,444,285



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 10 – 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, 2005, was \$805,986, of which \$125,691 is considered to be due within one year.

**NOTE 11 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2005, was as follows:

	Restated Balance At 12/31/2004	Additions	Deletions	Balance At 12/31/2005
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$1,838,266	\$13,476	\$0	\$1,851,742
Construction in Progress	2,479,064	8,869,340	0	11,348,404
Total Capital Assets Not Being Depreciated	4,317,330	8,882,816	0	13,200,146
Depreciable Capital Assets:				
Land Improvements	64,574	0	0	64,574
Buildings and Building Improvements	28,453,822	0	(5,728)	28,448,094
Furniture, Fixtures, and Equipment	2,993,644	773,000	(271,931)	3,494,713
Vehicles	5,234,131	89,229	(228,798)	5,094,562
Infrastructure	3,052,798	1,694,492	0	4,747,290
Total Depreciable Capital Assets	39,798,969	2,556,721	(506,457)	41,849,233
Less Accumulated Depreciation:				
Land Improvements	(56,001)	(1,700)	0	(57,701)
Buildings and Building Improvements	(5,724,575)	(542,975)	1,600	(6,265,950)
Furniture, Fixtures, and Equipment	(2,034,490)	(254,011)	185,332	(2,103,169)
Vehicles	(3,661,444)	(377,488)	193,247	(3,845,685)
Infrastructure	(220,601)	(178,729)	0	(399,330)
Total Accumulated Depreciation	(11,697,111)	(1,354,903) *	380,179	(12,671,835)
Depreciable Capital Assets, Net	28,101,858	1,201,818	(126,278)	29,177,398
Governmental Activities Capital Assets, Net	\$32,419,188	\$10,084,634	(\$126,278)	\$42,377,544

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 11 - CAPITAL ASSETS (Continued)**

	Restated Balance At 12/31/2004	Additions	Deletions	Balance At 12/31/2005
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$369,222	\$1,125,580	(\$403,935)	\$1,090,867
Depreciable Capital Assets:				
Buildings and Building Improvements	6,988,528	0	0	6,988,528
Furniture, Fixtures, and Equipment	680,847	0	0	680,847
Vehicles	206,955	0	0	206,955
Infrastructure	10,959,276	403,935	0	11,363,211
Total Depreciable Capital Assets	<u>18,835,606</u>	<u>403,935</u>	<u>0</u>	<u>19,239,541</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	(1,821,853)	(139,771)	0	(1,961,624)
Furniture, Fixtures, and Equipment	(572,546)	(45,173)	0	(617,719)
Vehicles	(159,403)	(11,978)	0	(171,381)
Infrastructure	(2,253,461)	(214,984)	0	(2,468,445)
Total Accumulated Depreciation	<u>(4,807,263)</u>	<u>(411,906)</u>	<u>0</u>	<u>(5,219,169)</u>
Depreciable Capital Assets, Net	<u>14,028,343</u>	<u>(7,971)</u>	<u>0</u>	<u>14,020,372</u>
Business-Type Activities				
Capital Assets, Net	<u>\$14,397,565</u>	<u>\$1,117,609</u>	<u>(\$403,935)</u>	<u>\$15,111,239</u>

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

General Government:	
Legislative and Executive	\$132,202
Judicial	30,485
Public Safety:	
Sheriff	207,117
Other	227,184
Public Works	309,849
Health	124,195
Human Services	55,045
Conservation and Recreation	219,555
Transportation	49,271
Total Depreciation Expense	<u>\$1,354,903</u>

**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, Inc. (CORSA) (See Note 21) for liability, property, auto, and crime insurance. The County also carries Public Officials liability insurance through various insurance agencies. Settlements have not exceeded coverage in any of the last three years. There has not been a significant change in coverage from the prior year.

**NOTE 12 - RISK MANAGEMENT (Continued)**

For 2005, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan (Plan), a group purchasing pool. (See Note 21) 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 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan 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.

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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005, 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 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 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, 2005, 2004, and 2003 were \$2,416,456 \$1,988,363, and \$2,085,711, respectively; 67.70 percent has been contributed for 2005. The full amount has been contributed for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$20,166 made by the County and \$12,650 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 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary 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.

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.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005, 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 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the 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, 2005, 2004, and 2003 were \$96,340, \$95,421, and \$122,070, respectively; 74 percent has been contributed for calendar year 2005 and 100 percent for 2004 and 2003.

**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 qualified survivor benefit 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 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 at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual County contributions for 2005 which were used to fund postemployment benefits were \$979,842. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**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 STRS Ohio 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, 2005, 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 \$7,411 for 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,739,000 and STRS Ohio had 115,395 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 of hours, depending on length of service and department policy, to employees who retire.

The employees in the Department of Children's Services receive three days of personal leave effective each July 1. They must use the leave by June 30 of the next year or forfeit it.

**NOTE 15 - OTHER EMPLOYEE BENEFITS (Continued)**

**INSURANCE BENEFITS**

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

**NOTE 16 – LEASES – LESSEE DISCLOSURE**

During 2005, and in prior years, the County entered into capitalized leases for vehicles, and for 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 \$681,877. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2005 totaled \$196,088 in the governmental funds.

The assets acquired through capital leases as of December 31, 2005, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Vehicles	\$394,285	\$98,820	\$295,465
Furniture, Fixtures, and Equipment	287,592	96,148	191,444
Total	\$681,877	\$194,968	\$486,909

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, 2005:

	Year Ending December 31,	
	2006	\$137,107
	2007	31,300
	2008	26,626
	2009	13,509
	2010	6,716
Total		215,258
Less: Amount Representing Interest		(20,528)
Present Value of Net Minimum Lease Payments		\$194,730

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 16 – LEASES – LESSEE DISCLOSURE (Continued)**

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 2005 totaled \$21,751 in the General Fund and \$12,427 in the Special Revenue Funds.

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

	<u>Year Ending December 31,</u>	
	2006	\$16,630
	2007	16,759
	2008	16,520
	2009	13,913
	2010	11,784
Total		<u><u>\$75,606</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

**BUSINESS-TYPE ACTIVITIES**

*General Obligation Bonds*

On June 21, 1997, the County issued General Obligation Bonds supported by Sewer 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 Sewer 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, 2005, was \$135,799 and is reported as a reduction in the liability. As a result, the General Obligation Bonds supported by Sewer Fund Revenues outstanding at December 31, 2005, has been reduced by the unamortized loss of \$135,799 within the financial statements. The entire amount of the refunded bonds was repaid, leaving no balance still outstanding on the original debt.

On January 22, 2004, the County issued General Obligation Bonds supported by Sewer Fund revenues in the amount of \$1,200,000 to finance part of the cost of making improvements to the Wheelersburg Wastewater Treatment Plant of the Scioto County Sewer District.



**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

**Mortgage Revenue Bonds**

In 1970, Scioto County issued \$615,000 in Mortgage Revenue Bonds for the purpose of replacing sewer lines. The Sewer Fund's bond indentures have certain restrictive covenants which requires 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, redemption 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 with revenues from the Sewer Fund.

**Farmer's Home Administration (FHA) Bonds**

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

**Ohio Public Works Commission (OPWC) Loans**

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 is being paid from the Sewer Fund and will be fully retired in July 2022.

In 2004, Scioto County was approved for a loan from the Ohio Public Works Commission for the purpose of replacing sewer lines. In 2004, the work was completed and the total amount of loan monies received was \$162,100. The loan is being paid from the Sewer Fund and will be fully retired in July 2024.

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
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**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2004	Additions	Deletions	Principal Outstanding at 12/31/2005	Due Within One Year
<b><u>Business-Type Activities</u></b>					
<b><u>Enterprise General Obligation Bonds</u></b>					
Franklin Furnace Sewer Improvement Bonds 1997 4.50% - \$846,000	\$782,615	\$0	\$10,757	\$771,858	\$11,241
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	2,195,000	0	130,000	2,065,000	135,000
Unamortized Loss	(147,116)	0	(11,317)	(135,799)	0
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,188,790	0	11,720	1,177,070	12,240
<b>Total Enterprise General Obligation Bonds</b>	<b>4,019,289</b>	<b>0</b>	<b>141,160</b>	<b>3,878,129</b>	<b>158,481</b>
<b><u>Mortgage Revenue Bonds</u></b>					
1970 5.375% - \$615,000	195,000	0	30,000	165,000	30,000
<b><u>Farmer's Home Administration (FHA) Bonds</u></b>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	\$728,000	\$0	\$11,700	\$716,300	\$12,300
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	584,420	0	9,030	575,390	9,430
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	768,664	0	11,194	757,470	11,698
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	782,830	0	9,600	773,230	10,040
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	335,180	0	4,660	330,520	4,880
<b>Total FHA Bonds</b>	<b>3,199,094</b>	<b>0</b>	<b>46,184</b>	<b>3,152,910</b>	<b>48,348</b>
<b><u>OPWC Loans</u></b>					
2002 0% - \$162,352	142,057	0	8,118	133,939	8,118
2004 0% - \$162,100	158,047	0	8,106	149,941	8,106
<b>Total OPWC Loans</b>	<b>300,104</b>	<b>0</b>	<b>16,224</b>	<b>283,880</b>	<b>16,224</b>
<b><u>Other Long-Term Obligations</u></b>					
Compensated Absences Payable	76,663	31,479	19,618	88,524	53,386
<b>Total Business-Type Activities</b>	<b>\$7,790,150</b>	<b>\$31,479</b>	<b>\$253,186</b>	<b>\$7,568,443</b>	<b>\$306,439</b>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

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

	General Obligation Bonds		Mortgage Revenue Bonds		FHA Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$158,481	\$181,242	\$30,000	\$8,063	\$48,348	\$146,289
2007	164,547	174,380	30,000	6,450	50,584	144,039
2008	170,645	167,255	35,000	4,703	52,894	141,686
2009	176,798	159,866	35,000	2,822	55,369	139,225
2010	188,005	152,211	35,000	941	57,950	136,648
2011-2015	1,070,103	626,764	0	0	332,951	640,154
2016-2020	624,520	386,812	0	0	417,904	555,105
2021-2025	248,640	307,294	0	0	524,651	448,263
2026-2030	309,836	246,084	0	0	658,960	314,034
2031-2035	386,128	169,806	0	0	729,006	147,810
2036-2040	336,965	81,048	0	0	224,293	21,396
2041-2042	179,260	16,370	0	0	0	0
<b>Totals</b>	<b>\$4,013,928</b>	<b>\$2,669,132</b>	<b>\$165,000</b>	<b>\$22,979</b>	<b>\$3,152,910</b>	<b>\$2,834,649</b>

	OPWC Loans		Totals	
	Principal	Interest	Principal	Interest
2006	\$16,224	\$335,594	\$253,053	\$335,594
2007	16,224	324,869	261,355	324,869
2008	16,224	313,644	274,763	313,644
2009	16,224	301,913	283,391	301,913
2010	16,224	289,800	297,179	289,800
2011-2015	81,120	1,266,918	1,484,174	1,266,918
2016-2020	81,120	941,917	1,123,544	941,917
2021-2025	40,520	755,557	813,811	755,557
2026-2030	0	560,118	968,796	560,118
2031-2035	0	317,616	1,115,134	317,616
2036-2040	0	102,444	561,258	102,444
2041-2042	0	16,370	179,260	16,370
<b>Totals</b>	<b>\$283,880</b>	<b>\$5,526,760</b>	<b>\$7,615,718</b>	<b>\$5,526,760</b>

**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

**GOVERNMENTAL ACTIVITIES**

**General Obligation Bonds**

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of Bond Anticipation Notes. General Obligation Bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 20 year serial bonds. The 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 received into the General Fund and then transferred to the Debt Service Fund.

The 2004 Human Services Refunding Bonds were issued May 1, 2004, for the purpose of advance refunding the \$1,960,000 outstanding Human Services Bonds. The refunding resulted in a difference of \$48,155 between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the loss at December 31, 2005, was \$37,686.

The Human Services Refunding Bonds are being paid with monies received into the debt service fund from the County's Human Services department.

In 2004, the County issued \$6,135,000 in General Obligation Bonds to pay for the construction of a new jail. The bonds will be repaid from general revenues of the County.

**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 is being retired from the Board of Mental Retardation and Developmental Disabilities Special Revenue Fund and will be fully retired in January 2013.

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2004	Additions	Deletions	Principal Outstanding at 12/31/2005	Due Within One Year
<b><u>Governmental Activities</u></b>					
<b><u>General Obligation Bonds</u></b>					
Airport Facilities Bond					
2001 7.00% - \$55,000	\$37,765	\$0	\$6,567	\$31,198	\$7,027
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	2,650,000	0	55,000	2,595,000	60,000
Various Purpose Bonds					
2000 5.7% - \$1,940,000	1,455,000	0	135,000	1,320,000	140,000
Juvenile Detention Center Bonds					
2000 5.80% - \$1,820,000	1,590,000	0	65,000	1,525,000	70,000
Human Services Refunding Bonds					
2004 2.00 - 3.25% - \$2,050,000	1,835,000	0	245,000	1,590,000	250,000
Unamortized Loss	(43,967)	0	(6,281)	(37,686)	0
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	6,135,000	0	160,000	5,975,000	165,000
Premium on Jail Bonds	5,118	0	205	4,913	0
<b>Total General Obligation Bonds</b>	<b>13,663,916</b>	<b>0</b>	<b>660,491</b>	<b>13,003,425</b>	<b>692,027</b>
<b><u>Other Long-Term Obligations</u></b>					
MRDD Loan					
1986 3.00% - \$150,000	60,201	0	6,572	53,629	6,802
Capital Leases Payable	322,377	68,441	196,088	194,730	125,946
Compensated Absences Payable	2,096,584	923,799	1,003,333	2,017,050	1,155,927
<b>Total Other Long-Term Obligations</b>	<b>2,479,162</b>	<b>992,240</b>	<b>1,205,993</b>	<b>2,265,409</b>	<b>1,288,675</b>
<b>Total Governmental Activities</b>	<b>\$16,143,078</b>	<b>\$992,240</b>	<b>\$1,866,484</b>	<b>\$15,268,834</b>	<b>\$1,980,702</b>

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

	General Obligation Bonds		MRDD Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$692,027	\$650,520	\$6,802	\$1,742	\$698,829	\$652,262
2007	717,519	626,669	7,040	1,504	724,559	628,173
2008	738,045	600,720	7,287	1,257	745,332	601,977
2009	768,607	572,212	7,542	1,002	776,149	573,214
2010	795,000	540,872	7,806	738	802,806	541,610
2011-2015	2,495,000	2,288,357	17,152	648	2,512,152	2,289,005
2016-2020	2,855,000	1,623,086	0	0	2,855,000	1,623,086
2021-2025	2,205,000	752,112	0	0	2,205,000	752,112
2026-2030	1,770,000	274,250	0	0	1,770,000	274,250
<b>Totals</b>	<b>\$13,036,198</b>	<b>\$7,928,798</b>	<b>\$53,629</b>	<b>\$6,891</b>	<b>\$13,089,827</b>	<b>\$7,935,689</b>

The County's total legal debt margin was \$17,528,778 at December 31, 2005, with an unvoted debt margin of \$6,022,531 at December 31, 2005.

**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

**CAPITAL LEASES AND COMPENSATED ABSENCES**

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

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

General Fund

Dog and Kennel 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

Real Estate Assessment Special Revenue Fund

Motor Vehicle 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

Jail Construction Capital Projects Fund

Sewer District Enterprise Fund

**CONDUIT DEBT OBLIGATION**

During 1985, the County, in conjunction with several other political subdivisions of Ohio, issued Revenue Bonds in the aggregate principal amount of \$72,000,000. The proceeds were used to fund the VHA Central Inc. Capital Asset Financing Program. The program provides financing for hospitals in Ohio to acquire equipment and other capital assets. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2005, is \$36,000,000.

During 1991, the County issued Revenue Bonds in the aggregate principal amount of \$27,200,000 for The Norfolk Southern Corporation. The proceeds were used to refund bonds that had been used by Norfolk Southern Corporation to finance the construction of a coal distribution facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2005, is \$9,890,909.

**NOTE 17 - LONG-TERM OBLIGATIONS (Continued)**

During 2001, the County issued Revenue Bonds in the aggregate principal amount of \$1,870,000 for the Shawnee Mental Health Center. The proceeds were used by the Shawnee Mental Health Center to construct a new facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2005, is \$1,695,000.

During 2002, the County issued Revenue Bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds were used by The Counseling Center, Inc. to renovate two of its facilities and to refinance an outstanding commercial loan that was used to acquire and renovate three of its facilities. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2005, is \$1,130,000.

**NOTE 18 - BOND ANTICIPATION NOTES PAYABLE**

During 2005, the County paid \$20,000 of the outstanding \$155,000 Airport Hanger Bond Anticipation Note and reissued \$135,000. The \$135,000 liability outstanding at December 31, 2005 will be presented as a fund liability in the financial statements. The note is being paid from the General Fund and will mature on November 15, 2006.

During 2005, the County paid \$25,000 of the outstanding \$317,000 Commercial Property Acquisition Bond Anticipation Note and reissued \$292,000. On September 20, 2006, the County paid \$5,000 against the \$292,000 note and refinanced the remaining \$287,000 into a new note. Therefore, the \$292,000 liability outstanding at December 31, 2005 will be split with \$287,000 presented as a long-term liability and \$5,000 presented as a fund liability in the financial statements.

During 2005, the County reissued the County Jail Bond Anticipation Note in the amount of \$250,000. The \$250,000 liability outstanding at December 31, 2005 will be presented as a fund liability in the financial statements. The note is being paid from the Jail Construction Capital Projects Fund and will mature on November 15, 2006.

The Various Purpose Bond Anticipation Note was issued during 2005 in the amount of \$500,000. The note is being paid from the General Fund and will mature on November 30, 2006.

During 2005, the County paid \$10,000 of the outstanding \$230,000 Human Services Building Acquisition Bond Anticipation Note and reissued \$220,000. On January 26, 2006, the County paid \$10,000 against the \$220,000 note and refinanced the remaining \$210,000 into a new note. Therefore, the \$220,000 liability outstanding at December 31, 2005 will be split with \$210,000 presented as a long-term liability and \$10,000 presented as a fund liability in the financial statements.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 18 – BOND ANTICIPATION NOTES PAYABLE (Continued)**

During 2005, the County issued a \$322,000 Bond Anticipation Note in anticipation of the issuance of General Obligation Bonds for the purpose of paying the cost of renovating the Rigrish Wastewater Treatment Plant. The note is being paid from the Sewer Fund and will be retired on May 31, 2006.

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

<i>Types / Issues</i>	<i>Balance 12/31/04</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance 12/31/05</i>
<b><u>Governmental Activities:</u></b>				
Airport Hangar Bond Anticipation Note				
November 17, 2004 - 2.90% - \$155,000	\$155,000	\$0	\$20,000	\$135,000
Commercial Property Acquisition				
Bond Anticipation Note				
September 23, 2004 - 2.00% - \$317,000	317,000	0	25,000	292,000
County Jail Bond Anticipation Note				
November 17, 2004 2.60% - \$250,000	250,000	0	0	250,000
Various Purpose Bond Anticipation Note				
Bond Anticipation Note				
December 1, 2005 - 5.38% \$500,000	0	500,000	0	500,000
Human Services Building Acquisition				
Bond Anticipation Note				
January 29, 2004 - 1.68% - \$230,000	230,000	0	10,000	220,000
Total Governmental Activities	<u>\$952,000</u>	<u>\$500,000</u>	<u>\$55,000</u>	<u>\$1,397,000</u>
<b><u>Business-Type Activities:</u></b>				
Rigrish Sewer Bond Anticipation Note				
June 1, 2005 3.46% - \$322,000	<u>\$0</u>	<u>\$322,000</u>	<u>\$0</u>	<u>\$322,000</u>



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
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**NOTE 19 – INTERFUND ACTIVITY**

Interfund balances at December 31, 2005, consist of the following individual fund receivables and payables:

		Receivables					
Payables		General	Public Assistance	Board of Mental Retardation and Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
		Public Assistance	\$21,113	\$0	\$9,893	\$37,467	\$44,772
	Nonmajor Governmental Funds	16,611	38,509	0	0	12,579	67,699
	<b>Total</b>	<b>\$37,724</b>	<b>\$38,509</b>	<b>\$9,893</b>	<b>\$37,467</b>	<b>\$57,351</b>	<b>\$180,944</b>

The 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 Public Assistance Fund owes the Children Services Fund, the Board of Mental Retardation and Developmental Disabilities Fund, and the Coordinated Transportation Program Fund for services provided through various contracts these departments have with Public Assistance. The Child Support Enforcement Agency Fund owes \$38,509 to the Public Assistance Fund for services provided through contracts with Public Assistance. The \$12,579 due to the Juvenile Detention Center Fund from the Indigent Guardianship Fund is for the housing of juveniles at the Detention Center. All advances will be reimbursed either when funds become available or when payments for services are rendered.

Transfers made during the year ended December 31, 2005 were as follows:

		Transfers To					
Transfers From		General	Public Assistance	Motor Vehicle Gas Tax	Sewer	Nonmajor Governmental Funds	Total
		General	\$0	\$507,098	\$193,944	\$0	\$1,602,634
	Jail Construction	0	0	0		124,864	124,864
	Nonmajor Governmental Funds	6,000	0	0	68,452	51,556	126,008
	<b>Total</b>	<b>\$6,000</b>	<b>\$507,098</b>	<b>\$193,944</b>	<b>\$68,452</b>	<b>\$1,779,054</b>	<b>\$2,554,548</b>

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies transferred to the General Fund were made in order to redistribute certificate of title monies. Monies were also transferred from the Real Estate Assessment Fund and the Jail Construction Fund to nonmajor debt service funds to make debt service payments.

**NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE**

**ADAMS, LAWRENCE, SCIOTO ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD**

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

The three-county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, four are appointed by the Ohio Director of Mental Health 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 2005.

**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 2005; 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 2005.

**NOTE 20 – 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 favorably influence the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The commission is not dependent upon Scioto County for its existence.

**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 grant. The CAO Board is comprised of local public officials. The CAO controls its own operations and budget. In 2005, the County made no contributions to the CAO.

**SOUTHERN OHIO DEVELOPMENT INITIATIVE**

The Southern Ohio Development Initiative was created with assistance from the U.S. Department of Energy to assist in the development of industrial areas to offset the potential downsizing and privatization of the Uranium Enrichment Plant in Piketon, Ohio. It is a legally separate, not-for-profit corporation with representatives from each of the counties impacted by the events at the Piketon Plant. The counties involved in this initiative are Pike, Ross, Scioto and Jackson Counties. The County has no liability to impose its will on the organization nor is a burden/benefit relationship in existence. During 2005, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**

The Portsmouth Metropolitan Housing Authority (the Authority) is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the City of Portsmouth. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received no contributions from the County during 2005.

**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 District rotates between the two counties every third year. Lawrence County maintained the records in 2005.

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

The County has an investment that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of the District upon its dissolution. The agreement also sets forth the method to determine each members' proportionate share.

The District is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future. The County's investment interest in the District was \$15,172 as of December 31, 2005. Complete financial statements can be obtained from the Solid Waste District located at Veterans Square, 3rd Floor, Ironton, OH 45638.

**NOTE 21 – RISK SHARING POOL / GROUP PURCHASING POOL**

**COUNTY RISK SHARING AUTHORITY, INC. (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 issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2005 was \$348,172.

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

**NOTE 21 – RISK SHARING POOL / GROUP PURCHASING POOL (Continued)**

**COUNTY COMMISSIONERS’ ASSOCIATION OF OHIO WORKERS’ COMPENSATION GROUP RATING PLAN**

The County is participating in the County Commissioners’ Association of Ohio Workers’ Compensation Group Rating Plan 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 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 22 – RELATED ORGANIZATION**

**SOUTHERN OHIO PORT AUTHORITY**

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

**NOTE 23 – CONTRACTUAL COMMITMENTS**

As of December 31, 2005, the County had the following contractual purchase commitments for numerous projects:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**NOTE 23 – CONTRACTUAL COMMITMENTS (Continued)**

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2005
<i>New County Jail Architects</i>			
Wachtel and McAnnally	\$836,045	\$749,835	\$86,210
West End Electric Company	1,845,932	1,763,960	81,972
J & H Reinforcing and Structure Erectors	6,775,144	6,208,680	566,464
B. B. & E. Inc.	2,538,137	2,399,932	138,205
Peck, Shaffer, and Williams - Attorneys at Law	15,000	13,928	1,072
Brewer and Co.	213,850	202,069	11,781
Talking Towers, LLC	20,000	10,000	10,000
<i>Community Development Program Assistance</i>			
Leighty and Snider	13,000	7,895	5,105
<i>CHIP Program Assistance</i>			
Leighty and Snider	36,500	18,631	17,869
Multim, Inc.	30,000	22,925	7,075
<i>Wheelersburg Wastewater</i>			
<i>Treatment Plant Improvement</i>			
Woolpert, LLP	70,000	67,119	2,881
J & H Reinforcing and Structure Erectors	471,000	371,950	99,050
<i>Eden Park Sanitary Sewer</i>			
Woolpert, LLP	17,200	16,840	360
<i>Sciotoville Sewer/Rigrish Sanitary Sewer Extension</i>			
Woolpert, LLP	182,700	142,593	40,107
J & H Reinforcing and Structure Erectors	1,070,255	492,365	577,890
Totals	<u>\$14,134,763</u>	<u>\$12,488,722</u>	<u>\$1,646,041</u>

**NOTE 24 - CONTINGENT LIABILITIES**

**LITIGATION**

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

**FEDERAL AND STATE GRANTS**

For the period January 1, 2005, to December 31, 2005, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

**NOTE 25 – RELATED PARTY TRANSACTIONS**

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of the STAR, Inc. In 2005, these contributions were \$116,139.

**NOTE 26 – SUBSEQUENT EVENT**

On January 26, 2006, the County reissued the Human Services Building Acquisition Bond Anticipation Note in the amount of \$210,000 at a rate of 3.95%. This note will mature on January 25, 2007.

On May 31, 2006, the County reissued the Rigrish Sewer Bond Anticipation Note in the amount of \$322,000 at a rate of 4.85%. This note will mature on August 31, 2006.

On June 1, 2006, the County approved a loan agreement with the Ohio Department of Transportation's State Infrastructure bank for a loan in the amount of \$1,467,920 to be used by the County Engineer for the Arion Road Bridge Replacement.

On August 15, 2006, the County issued general obligation bonds in the amount of \$322,000 for the purpose of financing part of the cost of making improvements to the Sciotoville/Rigrish sewer project. The bonds were issued with an interest rate of 4.50% and will be fully retired on August 1, 2046.

On September 20, 2006, the County reissued the Commercial Property Acquisition Bond Anticipation Note in the amount of \$287,000 at a rate of 3.80%. This note will mature on September 19, 2007.

**NOTE 27 – DISCRETELY PRESENTED COMPONENT UNITS**

**STAR, INC.**

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

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

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

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

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**NOTE 27 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Capital Assets - A summary of STAR, Inc. capital assets at December 31, 2005, follows:

Machinery and Equipment	\$207,056
Less: Accumulated Depreciation	<u>(164,276)</u>
Total Capital Assets (net)	<u><u>\$42,780</u></u>

Capital assets are depreciated on a straight-line basis using an estimated useful life of 3 to 10 years for STAR, Inc.’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.

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.

Capital Assets - A summary of the Scioto County Airport Authority’s capital assets at December 31, 2005, follows:

Land	\$255,187
Buildings	1,583,539
Machinery and Equipment	40,631
Vehicles	95,500
Infrastructure	160,704
Less: Accumulated Depreciation	<u>(605,122)</u>
Total Capital Assets (net)	<u><u>\$1,530,439</u></u>

Due to Primary Government – These are amounts due to the Primary Government for the payment of the Airport Facilities Bond and the Airport Hanger Bond Anticipation Note. The following amounts are still owed to the Primary Government as of year-end:

Airport Hanger Bond Anticipation	
Note - 2005 4.10%	\$135,000
Airport Facilities Bonds	
2001 7.00% - \$55,000	<u>31,198</u>
Total Payable to Primary Government	<u><u>\$166,198</u></u>



**SCIOTO COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed through Ohio Department of Education</i>			
Nutrition Cluster:			
School Breakfast Program	142612-05PU-2005 142612-05PU-2006	10.553	\$3,405 <u>2,909</u>
Total School Breakfast Program			6,314
National School Lunch Program	142612-LLP4-2005 142612-LLP4-2006	10.555	5,232 <u>4,504</u>
Total National School Lunch Program			<u>9,736</u>
Total Nutrition Cluster			16,050
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities - grant	N/A	10.760	63,422
Water and Waste Disposal Systems for Rural Communities - loan			<u>222,224</u>
Total Water and Waste Disposal Systems for Rural Communities			<u>285,646</u>
Total United States Department of Agriculture			301,696
<b><u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State's Program	B-C-04-068-1 B-F-04-068-1 B-F-05-068-1 B-W-02-068-1	14.228	39,285 259,494 8,027 <u>10,000</u>
Total Community Development Block Grants/State's Program			316,806
HOME Investment Partnerships Program	B-C-04-068-2	14.239	<u>289,893</u>
Total United States Department of Housing and Urban Development			606,699
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	2004-JB-008-B025	16.523	9,808
<i>Direct from the United States Department of Justice</i>			
Edward Byrne Memorial Formula Grant Program	02-LE-11091400-01d	16.579	1,980
Bulletproof Vest Partnership Program	N/A	16.607	<u>5,217</u>
Total Direct from the United States Department of Justice			<u>7,197</u>
Total United States Department of Justice			17,005
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-0401 3-39-0069-0704 3-39-0069-0805	20.106	150,636 83,292 <u>112,004</u>
Total Airport Improvement Program			345,932
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	76170	20.205	7,332
Formula Grants for Other Than Urbanized Areas	RPT-4073-024-051 RPT-0073-024-052	20.509	190,140 <u>44,587</u>
Total Formula Grants for Other Than Urbanized Areas			<u>234,727</u>
Total Passed Through Ohio Department of Transportation			242,059

**SCIOTO COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION (Continued)</u></b>			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP 11th Year	20.703	1,924
	HMEP 12th Year		<u>1,933</u>
Total Interagency Hazardous Materials Public Sector Training and Planning Grants			<u>3,857</u>
Total United States Department of Transportation			591,848
<b><u>UNITED STATES GENERAL SERVICES ADMINISTRATION</u></b>			
<i>Passed through Ohio Secretary of State:</i>			
Election Reform Payments	05-SOS-HAVA-73	39.011	<u>16,786</u>
Total United States General Services Administration			16,786
<b><u>UNITED STATES ELECTION ASSISTANCE COMMISSION</u></b>			
<i>Passed through Ohio Secretary of State:</i>			
Help America Vote Act Requirement Payments	E05-0106-73	90.401	<u>629,649</u>
Total United States Election Assistance Commission			629,649
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Emergency Management Agency</i>			
Homeland Security Grant Program: State Homeland Security Program	2004-GE-T4-0025	97.004	240,034
Citizen Corps Grant	2004-GC-T4-0025	97.053	<u>13,736</u>
Total Homeland Security Grant Program		97.004	253,770
Community Emergency Response Teams	EMC-2003-GR-7026	97.054	4,000
Homeland Security Cluster: Emergency Management Performance Grants	2005-EM-T5-0001	97.042	34,676
State Homeland Security Program	2005-GE-T5-0001	97.073	<u>192,006</u>
Total Homeland Security Cluster		97.067	<u>226,682</u>
Total United States Department of Homeland Security			484,452
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>			
<i>Passed through Ohio Department of Education</i>			
Special Education Cluster: Special Education_Grants to States	078063-6BSF-2005 078063-6BSF-2006	84.027	51,561 <u>35,079</u>
Total Special Education_Grants to States			86,640
Special Education_Preschool Grants	078063-PGS1-2005 078063-PGS1-2006	84.173	11,650 <u>5,743</u>
Total Special Education_Preschool Grants			<u>17,393</u>
Total Special Education Cluster			104,033
State Grants for Innovative Programs	078063-C2S1-2005 078063-C2S1-2006	84.298	208 <u>258</u>
Total State Grants for Innovative Programs			<u>466</u>
Total Passed through Ohio Department of Education			104,499
<i>Passed through Ohio Rehabilitation Services Commission</i>			
Rehabilitation Services_Vocational Rehabilitation Grants to States	N/A	84.126	10,200

**SCIOTO COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</u></b>			
<i>Passed through Ohio Department of Health</i>			
Special Education_Grants for Infants and Families with Disabilities	73-6-002-1-DE-05	84.181	46,589
	73-6-002-1-DE-06		<u>15,632</u>
Total Special Education_Grants for Infants and Families with Disabilities			62,221
<i>Passed through Scioto County Family and Children First Council</i>			
Special Education_Grants for Infants and Families with Disabilities	73-5-001-1-EG-05	84.181	61,830
	73-5-001-1-EG-06		<u>55,374</u>
Total Special Education_Grants for Infants and Families with Disabilities:			<u>117,204</u>
Total United States Department of Education			294,124
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through Ohio Department of Job and Family Services</i>			
Grants to States for Access and Visitation Programs	G-05-09-1500	93.597	36,396
<i>Passed through Ohio Developmental Disabilities Council</i>			
Developmental Disabilities Basic Support and Advocacy Grants	04-3/05	93.630	50,000
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	04-05	93.667	36,066
	05-06		<u>35,209</u>
Total Social Services Block Grant			71,275
State Children's Insurance Program:			
Targeted Case Management	N/A	93.767	296
Community Alternative Funding System	N/A		<u>5,747</u>
Total State Children's Insurance Program:			6,043
Medical Assistance Program			
Targeted Case Management	N/A	93.778	251,510
Community Alternative Funding System	N/A		403,551
Waiver Administration	N/A		<u>104,007</u>
Total Medical Assistance Program			<u>759,068</u>
Total Passed through Ohio Department of Mental Retardation and Development Disabilities			<u>836,386</u>
Total United States Department of Health and Human Services			<u>922,782</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>\$3,865,041</u></b>

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, 2005**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 – 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 3 – 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 and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

Most of these loans are collateralized by mortgages on the property and by equipment. At December 31, 2005, the gross amount of loans outstanding under this program was \$805,986.

**NOTE 4 – CHILD NUTRITION CLUSTER**

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



## 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, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 2, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **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 in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated November 2, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated November 2, 2006, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

November 2, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 (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 apply to each of its major federal programs for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Scioto County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

#### Internal Control Over Compliance

The County's management 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 directly and materially affect a major federal program 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.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated November 2, 2006.

We intend this report solely for the information and use of management, the Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for 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

November 2, 2006



**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Airport Improvement Program CFDA # 20.106  Help America Vote Act Requirement Payments CFDA # 90.401  Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005  
(Continued)**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	A Finding for Recovery for public money collected but unaccounted for was issued against former County Prosecutor, Lynn Alan Grimshaw, and his surety, CNA Surety, jointly and severally, in the amount of three hundred fifty nine dollars (\$359) and in favor of the Prosecuting Attorney's Law Enforcement Trust Fund. This was a result of the Auditor of State identifying missing cash confiscated from two different court cases while performing an inventory of the Prosecutor's evidence room.	Yes	





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

## **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  
DECEMBER 5, 2006**