



Mary Taylor, CPA  
Auditor of State



**SCIOTO COUNTY**  
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# Mary Taylor, CPA

Auditor of State

## 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, each major fund, and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2006, 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, each major fund, and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio, as of December 31, 2006 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.

The accompanying financial statements have been prepared assuming the County will continue as a going concern. As discussed in Note 26 to the basic financial statements, the County had a negative cash balance in the General Fund due to the cost of operating the jail which raises substantial doubt about its ability to continue as a going concern. The County made an advance from the Motor Vehicle Gas Tax Fund in the amount of \$978,169 to eliminate the GAAP basis negative cash balance in the General Fund. Further, as of December 13, 2007 the combined cash basis unencumbered fund balances of the General Fund and Sheriff's Office and Jail Operations Fund was a deficit balance of \$2,627,759. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2007, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 13, 2007

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
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, 2006.

**FINANCIAL HIGHLIGHTS**

The County's total net assets increased \$6,624,717 during 2006. Net assets of governmental activities increased \$5,607,701 (approximately 13.4 percent) Net assets of business-type activities increased by \$1,017,016 (approximately 11.1 percent).

General revenues of governmental activities accounted for \$18,683,124 or 33.3 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest restricted to specific programs accounted for \$37,345,646 or 66.7 percent of all revenues.

The Sewer Enterprise Fund reflected operating income of \$358,137.

The County had \$50,421,069 in expenses related to governmental activities; \$37,345,646 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. The County had \$2,438,891 in expenses related to business-type activities; all of these expenses were offset by program specific charges for services and capital grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

**REPORTING THE COUNTY AS A WHOLE**

*Statement of Net Assets and the Statement of Activities*

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

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

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Unaudited

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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 Southern Ohio Airport Authority, both component units of Scioto County, are presented in separate columns on the Statement of Net Assets and as separately identified activities on the Statement of Activities. While the County provides services and resources to both STAR Inc. and the 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, 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 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and						
Other Assets	\$30,483,629	\$25,452,064	\$2,896,999	\$2,775,329	\$33,380,628	\$28,227,393
Investment in						
Joint Venture	91,528	15,172	0	0	91,528	15,172
Capital Assets, Net of Depreciation	47,241,489	42,377,544	15,457,975	15,111,239	62,699,464	57,488,783
<b>Total Assets</b>	<b>77,816,646</b>	<b>67,844,780</b>	<b>18,354,974</b>	<b>17,886,568</b>	<b>96,171,620</b>	<b>85,731,348</b>
<b>Liabilities</b>						
Long-Term Liabilities						
Due Within						
One Year	3,544,091	1,980,702	350,346	306,439	3,894,437	2,287,141
Due in More Than One Year	16,364,010	13,785,132	7,558,105	7,262,004	23,922,115	21,047,136
Current and Other Liabilities	10,441,655	10,219,757	258,714	1,147,332	10,700,369	11,367,089
<b>Total Liabilities</b>	<b>30,349,756</b>	<b>25,985,591</b>	<b>8,167,165</b>	<b>8,715,775</b>	<b>38,516,921</b>	<b>34,701,366</b>
<b>Net Assets</b>						
Invested in						
Capital Assets, Net of Related Debt	33,758,988	30,786,969	7,712,488	7,374,470	41,471,476	38,161,439
Restricted for:						
Debt Service	592,681	332,102	0	0	592,681	332,102
Capital Projects	891,488	798,587	0	0	891,488	798,587
Other Purposes	14,738,682	11,376,995	0	0	14,738,682	11,376,995
Unrestricted (Deficit)	(2,514,949)	(1,435,464)	2,475,321	1,796,323	(39,628)	360,859
<b>Total Net Assets</b>	<b>\$47,466,890</b>	<b>\$41,859,189</b>	<b>\$10,187,809</b>	<b>\$9,170,793</b>	<b>\$57,654,699</b>	<b>\$51,029,982</b>

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Current assets of the County's governmental activities increased by \$5,031,565 which was largely due to an increase in cash and cash equivalents. Equity in pooled cash and cash equivalents in Governmental Activities for the year increased \$3,016,141 mainly due to increased property tax revenues in the Board of Mental Retardation and Developmental Disabilities Fund, bond proceeds which had not been spent at year-end, and an increased in operating grants, contributions and interest.

Total liabilities of the County's governmental activities increased by \$4,364,165, mainly due to an increase in long-term debt. The State Infrastructure Bank Loan for the Dixon Mill Road Bridge project, the MRDD lease-purchase agreement for energy savings renovations, issuance of various purpose refunding bonds, and a significant increase in leased vehicles made up most of this increase.

Invested in capital assets, net of related debt, for governmental activities increased mainly due to additions to capital assets related to the completion of the new jail and the addition of current year infrastructure assets. Total Governmental Net Assets increased by \$5,607,701 primarily due to an increase in property tax revenues and an increase in operating grants, contributions and interest.

The net assets of the County's business-type activities increased by \$1,017,016. 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, 2005 and 2006.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program Revenues:						
Charges for Services and Sales	\$6,382,876	\$5,949,107	\$2,430,265	\$2,839,906	\$8,813,141	\$8,789,013
Operating Grants, Contributions, and Interest	29,068,756	26,663,228	0	0	29,068,756	26,663,228
Capital Grants and Contributions	1,894,014	6,740,402	1,013,677	453,050	2,907,691	7,193,452
Total Program Revenues	<u>37,345,646</u>	<u>39,352,737</u>	<u>3,443,942</u>	<u>3,292,956</u>	<u>40,789,588</u>	<u>42,645,693</u>
General Revenues:						
Property Taxes	6,178,916	4,815,233	0	0	6,178,916	4,815,233
Other Local Taxes	411,114	130,515	0	0	411,114	130,515
Sales Tax	8,744,475	8,449,420	0	0	8,744,475	8,449,420
Revenue in Lieu of Taxes	42,476	40,648	0	0	42,476	40,648
Grants and Entitlements not Restricted to Specific Programs	1,614,773	1,603,520	0	0	1,614,773	1,603,520
Unrestricted Investment Earnings	846,745	509,822	8,340	2,815	855,085	512,637
Miscellaneous	844,625	618,934	3,625	42,501	848,250	661,435
Total General Revenues	<u>18,683,124</u>	<u>16,168,092</u>	<u>11,965</u>	<u>45,316</u>	<u>18,695,089</u>	<u>16,213,408</u>
Total Revenues	<u>\$56,028,770</u>	<u>\$55,520,829</u>	<u>\$3,455,907</u>	<u>\$3,338,272</u>	<u>\$59,484,677</u>	<u>\$58,859,101</u>

(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	
	2006	2005	2006	2005	2006	2005
<b>Program Expenses</b>						
General Government:						
Legislative and Executive	\$7,250,092	\$6,980,041	\$0	\$0	\$7,250,092	\$6,980,041
Judicial	2,535,218	2,214,762	0	0	2,535,218	2,214,762
Public Safety:						
Sheriff	5,792,070	3,977,243	0	0	5,792,070	3,977,243
Other	3,062,312	3,205,370	0	0	3,062,312	3,205,370
Public Works	2,892,746	3,755,993	0	0	2,892,746	3,755,993
Health	8,056,971	6,680,087	0	0	8,056,971	6,680,087
Human Services	17,833,771	18,956,519	0	0	17,833,771	18,956,519
Conservation and Recreation	579,895	500,464	0	0	579,895	500,464
Economic Development and Assistance	675,551	1,101,206	0	0	675,551	1,101,206
Transportation	975,117	920,147	0	0	975,117	920,147
Interest and Fiscal Charges	767,326	734,820	0	0	767,326	734,820
Sewer	0	0	2,438,891	2,364,845	2,438,891	2,364,845
Total Expenses	<u>50,421,069</u>	<u>49,026,652</u>	<u>2,438,891</u>	<u>2,364,845</u>	<u>52,859,960</u>	<u>51,391,497</u>
Increase						
in Net Assets Before Transfers	5,607,701	6,494,177	1,017,016	973,427	6,624,717	7,467,604
Transfers	0	(68,452)	0	68,452	0	0
Increase in Net Assets	<u>5,607,701</u>	<u>6,425,725</u>	<u>1,017,016</u>	<u>1,041,879</u>	<u>6,624,717</u>	<u>7,467,604</u>
Net Assets at Beginning of Year	41,859,189	35,433,464	9,170,793	8,128,914	51,029,982	43,562,378
Net Assets at End of Year	<u>\$47,466,890</u>	<u>\$41,859,189</u>	<u>\$10,187,809</u>	<u>\$9,170,793</u>	<u>\$57,654,699</u>	<u>\$51,029,982</u>

***Governmental Activities***

Operating grants, contributions, and interest restricted to specific programs is the largest source of revenue for Scioto County. This makes up approximately 51.9 percent of total governmental revenues for 2006. 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 15.6 percent of total governmental revenues for 2006. 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 11.4 percent of total governmental revenues for 2006. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, recording fees, sheriff contracts, transportation fees, juvenile detention center contracts, fines and forfeitures related to judicial activity, and licenses and permits.

Human services (including public assistance and children services) programs accounted for approximately 35.4 percent of total expenses for governmental activities. Health programs (including MRDD) makes up approximately 16.0 percent of total expenses. Other major program expenses for governmental activities include public safety programs (mainly the sheriff and emergency management departments and juvenile detention center) which, in total, accounted for approximately 17.6 percent of total expenses.

**SCIOTO COUNTY, OHIO**  
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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 maintain the new jail to provide further safety for all citizens.

***Business-Type Activities***

The net assets for Business-Type Activities increased by \$1,017,016 during 2006. Charges for services were the largest revenue source, accounting for approximately 70.3 percent 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 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
General Government:				
Legislative and Executive	\$7,250,092	\$6,980,041	(\$5,275,367)	(\$5,032,156)
Judicial	2,535,218	2,214,762	(1,127,993)	(1,301,055)
Public Safety:				
Sheriff	5,792,070	3,977,243	(3,278,946)	3,313,266
Other	3,062,312	3,205,370	(1,440,318)	(1,588,250)
Public Works	2,892,746	3,755,993	1,750,937	520,422
Health	8,056,971	6,680,087	(2,260,867)	(2,537,905)
Human Services	17,833,771	18,956,519	(1,402,142)	(1,835,597)
Conservation and Recreation	579,895	500,464	(428,793)	(451,093)
Economic Development and Assistance	675,551	1,101,206	584,949	(654,715)
Transportation	975,117	920,147	570,443	627,988
Interest and Fiscal Charges	767,326	734,820	(767,326)	(734,820)
Sewer	2,438,891	2,364,845	1,005,051	928,111
Total Expenses	<u>\$52,859,960</u>	<u>\$51,391,497</u>	<u>(\$12,070,372)</u>	<u>(\$8,745,804)</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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Unaudited

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## **THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$54,376,805 and expenditures of \$56,385,862.

The General Fund balance decreased by \$903,237. This decrease was due primarily to expenditures related to the new jail operations.

The Public Assistance Fund expenditures exceeded revenues and other financing sources by \$486,037. There was a decrease in revenue which was primarily due to the County receiving less money from the State than in 2005.

The Motor Vehicle Gas Tax Fund revenues and other financing sources exceeded expenditures by \$531,653. The increase was primarily due to an increase in the Gasoline Tax and the Motor Vehicle License Tax receipts from the State.

The Board of Mental Retardation and Developmental Disabilities Fund revenues and other financing sources exceeded expenditures and other financing uses by \$2,028,385. A new tax levy was passed in 2005 and the Board began to receive the additional tax money in 2006. Also, the Board received a settlement through the Community Alternative Funding System administered by the State. The settlement reimbursed the Board for expenditures incurred in prior years.

The Children Services Fund revenues exceeded expenditures by \$154,674. The ending fund balance was \$1,306,051.

The Sewer Fund reflects operating income of \$358,137 for 2006. 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 2006, the County amended its General Fund budget as needed. The variance from original budget revenue amounts to the final budget revenue amounts was not significant. The most significant variance from the final budgeted revenue to the actual revenue was in property taxes. This was the result of a conservative estimate of property tax revenues.

The variance from original budget expenditure amounts to the final budget expenditure amounts increased primarily due to an increase in the Sheriff's Department expenditures related to the new jail operations. The most significant variance from the final budget to actual expenditures was the principal retirement of bond anticipation notes.

**SCIOTO COUNTY, OHIO**  
Management's Discussion and Analysis  
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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The increase in construction in progress in the governmental activities was the result of the County adding \$3,611,755 in roads, bridges, and other infrastructure assets during 2006. The increase in other depreciable assets is primarily due to the completion of the County's new jail.

The increase in infrastructure in the business-type activities was the result of renovations to sewer pump stations and extensions to sewer lines totaling \$1,831,332. See Note 10 of the notes to the basic financial statements for more detailed capital assets information.

**Debt**

At December 31, 2006, Scioto County had \$17,928,417 in long-term debt outstanding in Governmental Activities. This amount includes \$1,186,000 in long-term bond anticipation notes. The amount of long-term debt in the Business-Type Activities was \$7,805,208.

The County's total legal debt margin was \$15,937,354 at December 31, 2006, with an unvoted debt margin of \$5,600,809 at December 31, 2006.

See Note 16 of the notes to the basic financial statements for more detailed information.

**CURRENT ISSUES**

As discussed in Note 26 to the basic financial statements, the County had a negative cash balance in the General Fund due to the cost of operating the jail which is mainly supported with General Fund monies which raises substantial doubt about its ability to continue as a going concern. The Auditor of State's Local Government Services Division is performing a financial forecast for the Sheriff's Office and Jail Operations Fund. As of December 13, 2007 the combined unencumbered cash basis fund balances of the General Fund and Sheriff's Office and Jail Operations Fund was a deficit balance of \$2,627,759. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**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, 2006

	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	\$11,996,697	\$521,261	\$12,517,958	\$152,779	\$95,307
Cash and Cash Equivalents in Segregated Accounts	97,120	260,703	357,823	0	0
Cash and Cash Equivalents With Escrow Agent	164,654	0	164,654	0	0
Cash and Cash Equivalents with Trustee	267,616	158,702	426,318	0	0
Investments with Escrow Agent	859,013	0	859,013	0	0
Accrued Interest Receivable	2,872	0	2,872	0	25
Materials and Supplies Inventory	308,057	5,093	313,150	5,155	0
Accounts Receivable	32,501	1,011,480	1,043,981	22,462	3,997
Prepaid Items	200,560	8,283	208,843	0	836
Sales Tax Receivable	1,420,647	0	1,420,647	0	0
Property Taxes Receivable	7,066,973	0	7,066,973	0	0
Revenue in Lieu of Taxes Receivable	41,344	0	41,344	0	0
Due From Other Governments	6,918,663	871,756	7,790,419	0	56,050
Due From Component Unit	139,171	0	139,171	0	0
Loans Receivable	717,812	0	717,812	0	0
Deferred Charges	249,929	59,721	309,650	0	0
Investment in Joint Venture	91,528	0	91,528	0	0
Capital Assets:					
Land and Construction in Progress	4,419,421	16,840	4,436,261	0	414,459
Depreciable Capital Assets, Net	42,822,068	15,441,135	58,263,203	52,566	1,555,380
<b>Total Assets</b>	<b>77,816,646</b>	<b>18,354,974</b>	<b>96,171,620</b>	<b>232,962</b>	<b>2,126,054</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	383,201	85,237	468,438	1,274	492
Contracts Payable	983,663	4,559	988,222	0	7,250
Accrued Wages and Benefits Payable	540,361	10,637	550,998	6,371	0
Due To Other Governments	1,196,296	35,520	1,231,816	0	0
Accrued Interest Payable	83,105	121,353	204,458	0	0
Matured Compensated Absences Payable	930	0	930	0	0
Personal Leave Balances Payable	4,534	0	4,534	0	0
Retainage Payable	164,654	1,408	166,062	0	744
Deferred Revenue	7,014,911	0	7,014,911	0	0
Notes Payable	70,000	0	70,000	0	0
Long-Term Liabilities:					
Due Within One Year	3,544,091	350,346	3,894,437	4,085	27,519
Due in More Than One Year	16,364,010	7,558,105	23,922,115	12,062	111,652
<b>Total Liabilities</b>	<b>30,349,756</b>	<b>8,167,165</b>	<b>38,516,921</b>	<b>23,792</b>	<b>147,657</b>
<b><u>Net Assets:</u></b>					
Invested in Capital Assets, Net of Related Debt	33,758,988	7,712,488	41,471,476	36,419	1,830,668
Restricted for:					
Debt Service	592,681	0	592,681	0	0
Capital Projects	891,488	0	891,488	0	0
Public Safety	1,961,904	0	1,961,904	0	0
Human Services	2,953,710	0	2,953,710	0	0
Public Works	3,663,049	0	3,663,049	0	0
Health	2,974,859	0	2,974,859	0	0
Community and Economic Development	2,220,753	0	2,220,753	0	0
Transportation	126,935	0	126,935	0	0
Judicial	356,488	0	356,488	0	0
Other Purposes	480,984	0	480,984	0	0
Unrestricted (Deficit)	(2,514,949)	2,475,321	(39,628)	172,751	147,729
<b>Total Net Assets</b>	<b>\$47,466,890</b>	<b>\$10,187,809</b>	<b>\$57,654,699</b>	<b>\$209,170</b>	<b>\$1,978,397</b>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2006

	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	\$7,250,092	\$1,974,725	\$0	\$0
Judicial	2,535,218	922,180	485,045	0
Public Safety:				
Sheriff	5,792,070	1,618,385	229,739	665,000
Other	3,062,312	822,926	798,068	1,000
Public Works	2,892,746	52,036	4,591,647	0
Health	8,056,971	261,777	5,481,827	52,500
Human Services	17,833,771	208,131	16,223,498	0
Conservation and Recreation	579,895	10,106	140,996	0
Economic Development and Assistance	675,551	5,500	755,000	500,000
Transportation	975,117	507,110	362,936	675,514
Interest and Fiscal Charges	767,326	0	0	0
<i>Total Governmental Activities</i>	50,421,069	6,382,876	29,068,756	1,894,014
<b><u>Business-Type Activity:</u></b>				
Sewer	2,438,891	2,430,265	0	1,013,677
<i>Total Primary Government</i>	\$52,859,960	\$8,813,141	\$29,068,756	\$2,907,691
<b><u>Component Units:</u></b>				
STAR Inc.	\$396,601	\$285,576	\$90,979	\$0
Scioto County Airport Authority	73,511	90,206	0	117,874
<i>Total Component Unit Activities</i>	\$470,112	\$375,782	\$90,979	\$117,874

**General Revenues:**

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

*Total General Revenues*

Change in Net Assets

*Net Assets at Beginning of Year (Restated - See Note 28)*

*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 Activity	Total	STAR Inc.	Scioto County Airport Authority	
(\$5,275,367)	\$0	(\$5,275,367)	\$0	\$0	
(1,127,993)	0	(1,127,993)	0	0	
(3,278,946)	0	(3,278,946)	0	0	
(1,440,318)	0	(1,440,318)	0	0	
1,750,937	0	1,750,937	0	0	
(2,260,867)	0	(2,260,867)	0	0	
(1,402,142)	0	(1,402,142)	0	0	
(428,793)	0	(428,793)	0	0	
584,949	0	584,949	0	0	
570,443	0	570,443	0	0	
(767,326)	0	(767,326)	0	0	
(13,075,423)	0	(13,075,423)	0	0	
0	1,005,051	1,005,051	0	0	
(13,075,423)	1,005,051	(12,070,372)	0	0	
0	0	0	(20,046)	0	
0	0	0	0	134,569	
0	0	0	(20,046)	134,569	
1,650,931	0	1,650,931	0	0	
3,771,953	0	3,771,953	0	0	
643,677	0	643,677	0	0	
112,355	0	112,355	0	0	
411,114	0	411,114	0	0	
8,744,475	0	8,744,475	0	0	
42,476	0	42,476	0	0	
1,614,773	0	1,614,773	0	0	
846,745	8,340	855,085	6,057	215	
844,625	3,625	848,250	2,764	15	
18,683,124	11,965	18,695,089	8,821	230	
5,607,701	1,017,016	6,624,717	(11,225)	134,799	
41,859,189	9,170,793	51,029,982	220,395	1,843,598	
\$47,466,890	\$10,187,809	\$57,654,699	\$209,170	\$1,978,397	

**SCIOTO COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2006

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,252,360	\$559,120
Cash and Cash Equivalents in			
Segregated Accounts	18,660	21,713	560
Cash and Cash Equivalents with Trustee	0	0	0
Receivables:			
Sales Tax	1,420,647	0	0
Property Taxes	1,742,242	0	0
Accounts	8,831	0	388
Accrued Interest	2,872	0	0
Interfund	90,386	0	1,046,169
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	832,098	614,539	2,273,735
Prepaid Items	81,707	80,590	15,925
Materials and Supplies Inventory	36,267	16,708	238,339
Due from Component Unit	139,171	0	0
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
Investments with Escrow Agent	0	0	0
Equity in Pooled Cash and Cash Equivalents	211,537	0	0
<b>Total Assets</b>	<b><u>\$4,584,418</u></b>	<b><u>\$1,985,910</u></b>	<b><u>\$4,134,236</u></b>
<b><u>Liabilities:</u></b>			
Accounts Payable	\$162,258	\$44,473	\$62,947
Contracts Payable	0	0	5,718
Accrued Wages and Benefits Payable	149,435	97,965	86,010
Personal Leave Balances Payable	0	0	0
Due to Other Governments	384,847	263,894	92,462
Interfund Payable	1,478,169	138,233	0
Retainage Payable from Restricted Assets	0	0	0
Accrued Interest Payable	4,166	0	0
Matured Compensated Absences Payable	930	0	0
Deferred Revenue	2,327,298	1,012,341	1,505,051
Notes Payable	45,000	0	0
<b>Total Liabilities</b>	<b><u>4,552,103</u></b>	<b><u>1,556,906</u></b>	<b><u>1,752,188</u></b>
<b><u>Fund Balances:</u></b>			
Reserved for Encumbrances	73,445	437,687	60,192
Reserved for Unclaimed Monies	211,537	0	0
Reserved for Loans Receivable	0	0	0
Reserved for Due From Component Unit	111,652	0	0
Unreserved, Undesignated Reported in:			
General Fund (Deficit)	(364,319)	0	0
Special Revenue Funds (Deficit)	0	(8,683)	2,321,856
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
<b>Total Fund Balances</b>	<b><u>32,315</u></b>	<b><u>429,004</u></b>	<b><u>2,382,048</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$4,584,418</u></b>	<b><u>\$1,985,910</u></b>	<b><u>\$4,134,236</u></b>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,308,892	\$1,012,647	\$5,652,141	\$11,785,160
0	103	56,084	97,120
0	0	267,616	267,616
0	0	0	1,420,647
4,240,827	844,626	239,278	7,066,973
3,150	0	20,132	32,501
0	0	0	2,872
0	75,176	554,419	1,766,150
31,323	8,521	1,500	41,344
617,464	668,970	1,911,857	6,918,663
11,301	6,359	4,678	200,560
0	500	16,243	308,057
0	0	0	139,171
0	0	717,812	717,812
0	0	164,654	164,654
859,013	0	0	859,013
0	0	0	211,537
<u>\$9,071,970</u>	<u>\$2,616,902</u>	<u>\$9,606,414</u>	<u>\$31,999,850</u>
\$4,082	\$11,729	\$97,712	\$383,201
779,140	0	198,805	983,663
86,710	43,792	76,449	540,361
0	4,534	0	4,534
191,253	63,674	200,166	1,196,296
0	0	149,748	1,766,150
0	0	164,654	164,654
0	0	8,234	12,400
0	0	0	930
4,645,060	1,187,122	1,729,650	12,406,522
0	0	25,000	70,000
<u>5,706,245</u>	<u>1,310,851</u>	<u>2,650,418</u>	<u>17,528,711</u>
62,947	35,852	274,293	944,416
0	0	0	211,537
0	0	630,810	630,810
0	0	0	111,652
0	0	0	(364,319)
3,302,778	1,270,199	4,084,562	10,970,712
0	0	1,143,094	1,143,094
0	0	823,237	823,237
<u>3,365,725</u>	<u>1,306,051</u>	<u>6,955,996</u>	<u>14,471,139</u>
<u>\$9,071,970</u>	<u>\$2,616,902</u>	<u>\$9,606,414</u>	<u>\$31,999,850</u>

**SCIOTO COUNTY, OHIO**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006

**Total Governmental Fund Balances** \$14,471,139

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

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

Land	1,851,742	
Construction in progress	2,567,679	
Depreciable capital assets	56,626,022	
Accumulated depreciation	<u>(13,803,954)</u>	
Total capital assets		47,241,489

The County also has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 91,528

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	788,957	
Revenue in lieu of taxes	40,863	
Intergovernmental	4,422,465	
Interest	155	
Miscellaneous	<u>139,171</u>	
		5,391,611

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. 249,929

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	(13,562,558)	
Notes payable	(1,186,000)	
Loans payable	(1,355,787)	
Accrued interest payable	(70,705)	
Capital leases payable	(1,824,072)	
Compensated absences	<u>(1,979,684)</u>	
Total liabilities		<u>(19,978,806)</u>

**Net Assets of Governmental Activities** \$47,466,890

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, 2006

	General	Public Assistance	Motor Vehicle Gas Tax
<b><u>Revenues:</u></b>			
Property Taxes	\$1,637,153	\$0	\$0
Other Local Taxes	\$411,114	0	0
Sales Tax	8,744,475	0	0
Revenue in Lieu of Taxes	0	0	0
Charges for Services	1,761,981	0	27,333
Licenses and Permits	6,220	0	0
Fines and Forfeitures	68,246	0	24,703
Intergovernmental	1,866,930	12,173,939	4,598,812
Investment Earnings	759,800	0	52,196
Rent	2,183	0	0
Contributions and Donations	0	0	0
Miscellaneous	305,494	177,206	28,830
<b>Total Revenues</b>	<b>15,563,596</b>	<b>12,351,145</b>	<b>4,731,874</b>
<b><u>Expenditures:</u></b>			
Current:			
General Government:			
Legislative and Executive	6,576,877	0	0
Judicial	1,910,634	0	0
Public Safety:			
Sheriff	4,270,316	0	0
Other	510,312	0	0
Public Works	0	0	4,406,389
Health	259,952	0	0
Human Services	481,811	13,206,427	0
Conservation and Recreation	226,526	0	0
Economic Development and Assistance	109,409	0	0
Transportation	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	185,041	2,731	0
Interest and Fiscal Charges	28,446	45	0
Issuance Costs	0	0	0
Principal Retirement - Current Refunding	25,000	0	0
<b>Total Expenditures</b>	<b>14,584,324</b>	<b>13,209,203</b>	<b>4,406,389</b>
Excess of Revenues Over (Under) Expenditures	979,272	(858,058)	325,485
<b><u>Other Financing Sources (Uses):</u></b>			
Loan Proceeds	0	0	0
Bond Anticipation Notes Issued	501,000	0	0
General Obligation Refunding Bonds Issued	0	0	0
Proceeds From Capital Lease	0	0	0
Inception of Capital Lease	333,457	0	0
Transfers In	9,825	372,021	206,168
Payment to Refunded Bonds Escrow Agent	0	0	0
Current Refunding	(262,000)	0	0
Transfers Out	(2,464,791)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(1,882,509)</b>	<b>372,021</b>	<b>206,168</b>
<b>Net Change in Fund Balances</b>	<b>(903,237)</b>	<b>(486,037)</b>	<b>531,653</b>
<b>Fund Balances at Beginning of Year</b>	<b>935,552</b>	<b>915,041</b>	<b>1,850,395</b>
<b>Fund Balances at End of Year</b>	<b>\$32,315</b>	<b>\$429,004</b>	<b>\$2,382,048</b>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,739,581	\$609,304	\$111,234	\$6,097,272
0	0	0	411,114
0	0	0	8,744,475
32,608	8,773	1,576	42,957
206,256	0	3,879,857	5,875,427
0	0	42,682	48,902
0	0	54,014	146,963
5,378,415	2,617,800	4,322,287	30,958,183
9,367	0	25,281	846,644
0	0	309,401	311,584
13,338	6,825	1,469	21,632
43,557	7,336	309,229	871,652
<u>9,423,122</u>	<u>3,250,038</u>	<u>9,057,030</u>	<u>54,376,805</u>
0	0	960,370	7,537,247
0	0	561,582	2,472,216
0	0	1,424,514	5,694,830
0	0	2,324,821	2,835,133
0	0	0	4,406,389
7,985,548	0	266,307	8,511,807
0	3,095,364	1,139,853	17,923,455
0	0	133,196	359,722
0	0	569,122	678,531
0	0	1,018,986	1,018,986
0	0	3,116,738	3,116,738
29,131	0	753,819	970,722
12,999	0	699,316	740,806
0	0	94,280	94,280
0	0	0	25,000
<u>8,027,678</u>	<u>3,095,364</u>	<u>13,062,904</u>	<u>56,385,862</u>
<u>1,395,444</u>	<u>154,674</u>	<u>(4,005,874)</u>	<u>(2,009,057)</u>
0	0	1,308,960	1,308,960
0	0	685,000	1,186,000
0	0	2,930,000	2,930,000
861,229	0	0	861,229
570,315	0	136,234	1,040,006
0	0	2,745,895	3,333,909
0	0	(1,687,100)	(1,687,100)
0	0	(210,000)	(472,000)
(798,603)	0	(70,515)	(3,333,909)
<u>632,941</u>	<u>0</u>	<u>5,838,474</u>	<u>5,167,095</u>
2,028,385	154,674	1,832,600	3,158,038
<u>1,337,340</u>	<u>1,151,377</u>	<u>5,123,396</u>	<u>11,313,101</u>
<u>\$3,365,725</u>	<u>\$1,306,051</u>	<u>\$6,955,996</u>	<u>\$14,471,139</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, 2006

**Net Change in Fund Balances - Total Governmental Funds** \$3,158,038

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

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

Capital assets additions	2,970,179	
Construction in progress additions	3,611,755	
Depreciation expense	<u>(1,547,583)</u>	
Excess of capital outlay over depreciation expense		5,034,351

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		(170,406)
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Because some revenues will not be collected for several months after the County's year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	81,644	
Revenue in lieu of taxes	(481)	
Intergovernmental	1,521,372	
Investment Earnings	101	
Miscellaneous	(27,027)	
Increase in the County's equity portion of the joint venture.	<u>76,356</u>	
		1,651,965

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.

Proceeds of general obligation refunding bonds	(2,930,000)	
Proceeds of bond anticipation notes	(1,186,000)	
Proceeds of Capital Lease	(861,229)	
Proceeds of loans	<u>(1,308,960)</u>	
		(6,286,189)

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.

(1,040,006)

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

94,280

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	6,802	
Bond principal payments	2,272,027	
Bond anticipation notes principal payments	497,000	
Capital lease payments	<u>271,893</u>	
Total long-term debt repayments		3,047,722

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		37,366
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The difference between the amounts of debt principal refunded and the amounts paid to the escrow agent are reported as other financing uses in the governmental funds, whereas these amounts are deferred and amortized in the Statement of Activities.

107,100

Amortization of bond issuance costs, bond premiums, bond discounts, the deferred loss on the refunding of debt, as well as accrued interest payable on the bonds are not reported in the funds, but is allocated as an expense over the life of the debt in the Statement of Activities.

Increase in accrued interest	(7,613)	
Amortization of premium on general obligation bonds	205	
Amortization of bond issuance costs	(10,647)	
Amortization of loss on refunding	<u>(8,465)</u>	
		<u>(26,520)</u>

**Change in Net Assets of Governmental Activities**

\$5,607,701

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, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,585,020	\$1,585,020	\$2,048,808	\$463,788
Other Local Taxes	350,000	350,000	411,114	61,114
Sales Tax	8,050,000	8,150,000	8,235,016	85,016
Charges for Services	1,559,864	1,606,854	1,717,839	110,985
Licenses and Permits	6,000	6,000	6,220	220
Fines and Forfeitures	70,000	82,963	88,539	5,576
Intergovernmental	2,023,592	2,098,592	1,813,422	(285,170)
Investment Earnings	405,000	705,952	745,272	39,320
Rent	0	2,000	2,183	183
Miscellaneous	259,735	191,036	303,369	112,333
<b>Total Revenues</b>	<b>14,309,211</b>	<b>14,778,417</b>	<b>15,371,782</b>	<b>593,365</b>
<b><u>Expenditures:</u></b>				
Current:				
General Government:				
Legislative and Executive	6,041,517	6,738,102	6,710,724	27,378
Judicial	1,649,060	1,941,661	1,918,620	23,041
Public Safety:				
Sheriff	2,644,023	3,810,554	4,128,262	(317,708)
Other	435,760	536,378	531,280	5,098
Public Works	172,900	0	0	0
Health	297,399	261,831	261,012	819
Human Services	756,989	398,998	380,731	18,267
Conservation and Recreation	164,222	163,510	152,698	10,812
Economic Development and Assistance	102,814	111,717	110,656	1,061
Debt Service:				
Principal Retirement	47,027	40,695	434,027	(393,332)
Interest and Fiscal Charges	18,184	18,184	17,604	580
<b>Total Expenditures</b>	<b>12,329,895</b>	<b>14,021,630</b>	<b>14,645,614</b>	<b>(623,984)</b>
Excess of Revenues Over (Under) Expenditures	1,979,316	756,787	726,168	(30,619)
<b><u>Other Financing Sources (Uses):</u></b>				
Bond Anticipation Notes Issued	0	144,000	546,000	402,000
Advances In	0	0	400,000	400,000
Advances Out	0	0	(463,279)	(463,279)
Transfers In	56,000	1,856,650	1,571,825	(284,825)
Transfers Out	(2,035,316)	(4,133,548)	(4,109,899)	23,649
<b>Total Other Financing Sources (Uses)</b>	<b>(1,979,316)</b>	<b>(2,132,898)</b>	<b>(2,055,353)</b>	<b>77,545</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(1,376,111)</b>	<b>(1,329,185)</b>	<b>46,926</b>
<b>Fund Balance at Beginning of Year</b>	<b>212,503</b>	<b>212,503</b>	<b>212,503</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>169,004</b>	<b>169,004</b>	<b>169,004</b>	<b>0</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$381,507</b>	<b>(\$994,604)</b>	<b>(\$947,678)</b>	<b>\$46,926</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Intergovernmental	\$15,462,699	\$12,998,321	\$13,427,264	\$428,943
Miscellaneous	210,546	176,990	177,206	216
<i>Total Revenues</i>	15,673,245	13,175,311	13,604,470	429,159
<b><u>Expenditures:</u></b>				
Current:				
Human Services	15,823,100	14,431,861	14,267,694	164,167
Excess of Revenues Over (Under) Expenditures	(149,855)	(1,256,550)	(663,224)	593,326
<b><u>Other Financing Sources:</u></b>				
Transfers In	442,810	372,237	372,021	(216)
<i>Net Change in Fund Balance</i>	292,955	(884,313)	(291,203)	593,110
<i>Fund Balance at Beginning of Year</i>	603,852	603,852	603,852	0
<i>Prior Year Encumbrances Appropriated</i>	280,461	280,461	280,461	0
<i>Fund Balance at End of Year</i>	<u>\$1,177,268</u>	<u>\$0</u>	<u>\$593,110</u>	<u>\$593,110</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, 2006

	<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	\$23,398	\$22,358	\$27,021	\$4,663
Fines and Forfeitures	26,163	25,000	26,736	1,736
Intergovernmental	4,802,939	4,589,511	4,589,511	0
Investment Earnings	26,959	25,761	50,812	25,051
Miscellaneous	64,749	61,872	28,917	(32,955)
<i>Total Revenues</i>	4,944,208	4,724,502	4,722,997	(1,505)
<b><u>Expenditures:</u></b>				
Current:				
Public Works	4,907,595	5,143,977	4,640,568	503,409
Excess of Revenues Over (Under) Expenditures	36,613	(419,475)	82,429	501,904
<b><u>Other Financing Sources (Uses):</u></b>				
Advances Out	0	0	(68,000)	(68,000)
Transfers In	209,301	200,000	206,168	6,168
<i>Total Other Financing Sources (Uses)</i>	209,301	200,000	138,168	(61,832)
<i>Net Change in Fund Balance</i>	245,914	(219,475)	220,597	440,072
<i>Fund Balance at Beginning of Year</i>	945,304	945,304	945,304	0
<i>Prior Year Encumbrances Appropriated</i>	236,380	236,380	236,380	0
<i>Fund Balance at End of Year</i>	<u>\$1,427,598</u>	<u>\$962,209</u>	<u>\$1,402,281</u>	<u>\$440,072</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, 2006

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,960,000	\$3,426,755	\$3,746,450	\$319,695
Revenue in Lieu of Taxes	27,550	32,234	32,234	0
Charges for Services	310,000	310,000	214,958	(95,042)
Intergovernmental	3,280,575	3,280,576	5,242,868	1,962,292
Investment Earnings	1,709	2,000	5,706	3,706
Contributions and Donations	5,983	7,000	13,338	6,338
Miscellaneous	32,063	37,515	44,426	6,911
<i>Total Revenues</i>	<u>7,617,880</u>	<u>7,096,080</u>	<u>9,299,980</u>	<u>2,203,900</u>
<b><u>Expenditures:</u></b>				
Current:				
Health	5,669,082	6,948,860	6,732,105	216,755
Debt Service:				
Principal Retirement	6,853	6,802	6,802	0
Interest and Fiscal Charges	1,605	1,742	1,742	0
<i>Total Expenditures</i>	<u>5,677,540</u>	<u>6,957,404</u>	<u>6,740,649</u>	<u>216,755</u>
Excess of Revenues Over Expenditures	1,940,340	138,676	2,559,331	2,420,655
<b><u>Other Financing Uses:</u></b>				
Transfers Out	0	(798,603)	(798,603)	0
<i>Net Change in Fund Balance</i>	1,940,340	(659,927)	1,760,728	2,420,655
<i>Fund Balance at Beginning of Year</i>	1,267,674	1,267,674	1,267,674	0
<i>Prior Year Encumbrances Appropriated</i>	<u>73,729</u>	<u>73,729</u>	<u>73,729</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$3,281,743</u>	<u>\$681,476</u>	<u>\$3,102,131</u>	<u>\$2,420,655</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues:</u></b>				
Property Taxes	\$610,000	\$523,933	\$602,181	\$78,248
Revenue in Lieu of Taxes	12,136	8,666	8,666	0
Intergovernmental	3,561,067	2,542,798	2,657,509	114,711
Contributions and Donations	14,005	10,000	6,825	(3,175)
Miscellaneous	139,325	99,486	7,371	(92,115)
<i>Total Revenues</i>	4,336,533	3,184,883	3,282,552	97,669
<b><u>Expenditures:</u></b>				
Current:				
Human Services	3,206,985	3,447,665	3,214,267	233,398
<i>Net Change in Fund Balance</i>	1,129,548	(262,782)	68,285	331,067
<i>Fund Balance at Beginning of Year</i>	799,479	799,479	799,479	0
<i>Prior Year Encumbrances Appropriated</i>	67,179	67,179	67,179	0
<i>Fund Balance at End of Year</i>	<u>\$1,996,206</u>	<u>\$603,876</u>	<u>\$934,943</u>	<u>\$331,067</u>

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Fund Net Assets  
Enterprise Fund  
December 31, 2006

	<i>Sewer</i>
<b><u>Assets:</u></b>	
<b><u>Current Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$521,261
Cash and Cash Equivalents in Segregated Accounts	260,703
Cash and Cash Equivalents With Trustee	158,702
Materials and Supplies Inventory	5,093
Accounts Receivable	1,011,480
Due From Other Governments	871,756
Prepaid Items	8,283
<i>Total Current Assets</i>	2,837,278
<b><u>Non-Current Assets:</u></b>	
Deferred Charges	59,721
Capital Assets:	
Construction in Progress	16,840
Depreciable Capital Assets, Net	15,441,135
<i>Total Non-Current Assets</i>	15,517,696
<i>Total Assets</i>	18,354,974
<b><u>Liabilities:</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable	85,237
Contracts Payable	4,559
Accrued Wages and Benefits Payable	10,637
Due To Other Governments	35,520
Accrued Interest Payable	121,353
Retainage Payable	1,408
General Obligation Bonds Payable	167,555
Mortgage Revenue Bonds Payable	30,000
Farmer's Home Administration Bonds Payable	50,584
Ohio Public Works Commission Loans Payable	28,476
Compensated Absences Payable	73,731
<i>Total Current Liabilities</i>	609,060
<b><u>Long-Term Liabilities (Net of Current Portion):</u></b>	
General Obligation Bonds Payable	3,885,410
Mortgage Revenue Bonds Payable	105,000
Farmer's Home Administration Bonds Payable	3,053,978
Ohio Public Works Commission Loans Payable	484,205
Compensated Absences Payable	29,512
<i>Total Long-Term Liabilities</i>	7,558,105
<i>Total Liabilities</i>	8,167,165
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	7,712,488
Unrestricted	2,475,321
<i>Total Net Assets</i>	\$10,187,809

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, 2006

	<i>Sewer</i>
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$2,430,265
<b><u>Operating Expenses:</u></b>	
Personal Services	715,542
Fringe Benefits	215,722
Contractual Services	679,511
Materials and Supplies	41,554
Depreciation	410,569
Other	9,230
<i>Total Operating Expenses</i>	2,072,128
Operating Income	358,137
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Investment Earnings	8,340
Interest and Fiscal Charges	(366,763)
Other Non-Operating Revenues	3,625
<i>Total Non-Operating Revenues (Expenses)</i>	(354,798)
Income Before Capital Grants	3,339
Capital Grants	1,013,677
<i>Net Income</i>	1,017,016
<i>Net Assets At Beginning of Year</i>	9,170,793
<i>Net Assets At End of Year</i>	\$10,187,809

See Accompanying Notes to the Basic Financial Statements

**SCIOTO COUNTY, OHIO**  
Statement of Cash Flows  
Enterprise Fund  
For the Year Ended December 31, 2006

	<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	\$2,378,807
Other Non-Operating Revenues	3,625
Cash Payments to Suppliers for Goods and Services	(705,811)
Cash Payments to Employees for Services	(697,708)
Cash Payments for Employee Benefits	(215,722)
Cash Payments for Other Operating Expenses	(9,230)
	<b>753,961</b>
<i>Net Cash Provided by Operating Activities</i>	
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Proceeds of Bonds	322,000
Proceeds of Loan	245,025
Capital Grants Received	978,119
Aquisition of Capital Assets	(1,337,487)
Principal paid on Bonds, Notes and Loans	(575,053)
Interest paid on Bonds, Notes and Loans	(353,053)
	<b>(720,449)</b>
<i>Net Cash Used for Capital and Related Financing Activities</i>	
<b><u>Cash Flows from Investing Activities:</u></b>	
Investment Earnings	8,340
	<b>41,852</b>
<i>Net Increase in Cash and Cash Equivalents</i>	
<i>Cash and Cash Equivalents at Beginning of Year</i>	<b>898,814</b>
<i>Cash and Cash Equivalents at End of Year</i>	<b>\$940,666</b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating Income	<b>\$358,137</b>
 <b><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u></b>	
Depreciation	410,569
Other Non-Operating Revenues	3,625
Increase in Accounts Receivable	(51,458)
Decrease in Prepaid Items	1,151
Decrease in Materials and Supplies Inventory	618
Increase in Accounts Payable	56,750
Increase in Compensated Absences Payable	14,719
Decrease in Intergovernmental Payable	(40,636)
Increase in Accrued Wages and Benefits Payable	486
	<b>395,824</b>
<i>Total Adjustments</i>	
<i>Net Cash Provided by Operating Activities</i>	<b>\$753,961</b>

See Accompanying Notes to the Basic Financial Statements



**SCIOTO COUNTY, OHIO**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2006

**Assets:**

Equity in Pooled Cash and Cash Equivalents	\$3,864,368
Cash and Cash Equivalents in Segregated Accounts	471,266
Receivables:	
Property Taxes	44,081,829
Accounts	914,277
Revenue in Lieu of Taxes	384,695
Due from Other Governments	<u>3,611,484</u>
<i>Total Assets</i>	<u><u>\$53,327,919</u></u>

**Liabilities:**

Due to Other Governments	\$49,007,285
Undistributed Monies	<u>4,320,634</u>
<i>Total Liabilities</i>	<u><u>\$53,327,919</u></u>

See Accompanying Notes to the Basic Financial Statements

**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 Hanger Bond Anticipation Note. Financial statements are 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 19, 20, and 21 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*  
*Southern Ohio Council of Governments*  
*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 (FASB) 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 and Interpretations 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.

**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 and distribution to other governments of various taxes, receipts and fees and to account for funds of various agencies for which the County serves as fiscal agent.

**MEASUREMENT FOCUS**

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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, revenue in lieu of taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes and revenue in lieu of taxes is recognized in the year for which the taxes are levied. (See Note 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, 2006, but which were levied to finance 2007 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 effect 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 "Cash and Cash Equivalents with Trustee."

The County has escrow accounts to hold retainage amounts still owed to contractors until payments are made. The monies held in these accounts are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent," on the financial statements. The proceeds from the lease-purchase agreement for the renovations to the Board of Mental Retardation and Developmental Disabilities were held with a financial institution until payments are made on the project. The monies held in this account are presented as "Restricted Assets: Investments with Fiscal 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 invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2006. 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, 2006.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2006 amounted to \$759,800, which includes \$728,512 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, 2006, 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 governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the Governmental Activities column of the government-wide Statement of Net 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 reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County’s historical records of necessary improvements and replacements. Depreciation is computed using the straight-line method over the following useful lives:

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

The County’s governmental infrastructure system consists of roads and bridges (which includes box culverts and concrete pipes). The business-type infrastructure system is the sewer system, consisting of sewer lines, pump stations, and relay stations. The County is only reporting governmental activity amounts for assets acquired after 2002. The County plans to report infrastructure acquired since 1980 beginning in 2007.

**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.

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

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the 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, and due from component unit. 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 due in more than one year that Scioto County Airport Authority owes the County for the debt service payments relating to the Airport Facilities Bonds and Airport Hangar Bond Anticipation Notes that were issued by the County. The reserve for loans receivable is the portion of the revolving loan fund that is not expected to be repaid in 2007.

**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 in the General Fund represent unclaimed monies held to be reclaimed by its rightful owner. Restricted assets in the Jail Construction Capital Projects Fund represent monies held in escrow accounts that are still owed to contractors for work completed relating to the jail construction project. Restricted assets in the Board of Mental Retardation and Developmental Disabilities Special Revenue Fund represent cash received through the capital lease-purchase agreement related to the energy savings renovation project.

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

**BOND PREMIUMS AND ISSUANCE COSTS**

Premiums and issuance costs for government-wide statements and enterprise 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.

**INTERNAL ACTIVITY**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

**ESTIMATES**

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

**NET ASSETS**

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

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

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

The government-wide Statement of Net Assets reports \$16,450,945 of restricted net assets, none of which are restricted by enabling legislation.

**INVESTMENT IN JOINT VENTURE**

The County's Investment in Joint Venture relates to the County's equity interest in the Joint Solid Waste District (see Note 19). The County's share in year-end net assets is included on the Statement of Net Assets 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 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2006, the County has implemented *GASB Statement No. 47, "Accounting for Termination Benefits."* *GASB Statement No. 47* establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the County's financial statements for 2006.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**ACCOUNTABILITY**

The Dog and Kennel and Mediation Grant Special Revenue Funds, and the Jail Construction, Dixon Mill Bridge Replacement, and Arion Road Bridge Replacement Capital Projects Funds had deficit fund balances of \$4,172, \$5,498, \$522, \$50,673, and \$4,179, respectively, at December 31, 2006. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

**OHIO REVISED CODE COMPLIANCE**

The General Fund had final appropriations in excess of final estimated revenues and available fund balance of \$994,604 for the year ended December 31, 2006.

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2006:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

Fund Type/Name/Program	Final Appropriations	Final Expenditures	Excess
<i>General Fund:</i>			
Public Safety Sheriff			
Salaries and Benefits	\$2,192,762	\$2,510,470	(\$317,708)
Debt Service:			
Principal Retirement	40,695	434,027	(393,332)
Real Estate Computer			
Debt Service:			
Principal Retirement	0	550,000	(550,000)
Interest and Fiscal Charges	0	3,357	(3,357)
Issuance Costs	0	17,409	(17,409)
Mediation Grant			
Judicial			
Salaries and Benefits	97,084	106,048	(8,964)
<i>Capital Projects Fund:</i>			
Jail Construction Fund			
Legislative and Executive			
Salaries and Benefits	114,444	115,229	(785)
Debt Service:			
Principal Retirement	0	150,000	(150,000)
Interest and Fiscal Charges	0	922	(922)
Issuance Costs	0	5,176	(5,176)
Jail Construction Note			
Debt Service:			
Principal Retirement	0	250,000	(250,000)
Issuance Costs	0	7,766	(7,766)
<i>Debt Service Funds:</i>			
Juvenile Detention Bond			
Debt Service:			
Issuance Costs	0	38,108	(38,108)
Human Services Building Note			
Debt Service:			
Principal Retirement	10,000	220,000	(210,000)
Issuance Costs	0	6,933	(6,933)
Fairground Bond			
Debt Service:			
Issuance Costs	0	18,888	(18,888)
General Purpose Bond Fund			
Debt Service:			
Principal Retirement	0	500,000	(500,000)

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

**OHIO REVISED CODE COMPLIANCE (Continued)**

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

Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund. The following funds were noted to have negative fund balances at December 31, 2006:

<u>Fund</u>	<u>Amount</u>
Sheriff's Office Jail Operations (Fund 250)	(\$1,540,315)
Mediation Grant (Fund 349)	(8,964)
Total	<u><u>(\$1,549,279)</u></u>

Ohio Revised Code Section 133.22 (A)(1)(a) requires a bond issuance to have one purpose and not to be used for general operating expenses. The County issued a Bond Anticipation Note in the amount of \$500,000 which was received and deposited into the General Fund to pay general operating expenses.

Ohio Rev. Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. A reduced amended certificate should have been obtained and appropriations reduced in the Sheriff's Office and Jail Operations Fund (Fund 250) as a result of actual revenues only being 59% of budgeted revenues which resulted in the fund having a negative December 31, 2006 cash balance of \$1,540,315.

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. Budgetary expenditures exceeded appropriations at the legal level of control in nineteen line items at April 30, 2006; thirty-one line items at July 31, 2006; sixty line items at September 30, 2006; and fifteen line items at December 31, 2006.

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. 47% of transactions tested were not certified by the fiscal officer at the time the commitment was incurred.

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

**FEDERAL COMPLIANCE**

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

According to 40 USC 3141-3148 when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL. A contractor or subcontractor is required to submit to the non-federal entity weekly, for each week in which a contract work is performed, a copy of the payroll and a statement of compliance. Scioto County did not maintain sufficient documentation that contractors paid employees at least the prevailing wage rates on all construction contracts in excess of \$2,000 with the exception of grant B-W-02-068-1.

Section 105(a) of the Housing and Community Development Act of 1974 lists the activities eligible under the CDBG State Program (State Administered Small Cities Program) which include:

- a) Planning activities;
- b) Administrative costs;
- c) Acquisition, construction, reconstruction, rehabilitation, or installation of commercial or industrial buildings.

The grant agreement between the State of Ohio, Department of Development, and Scioto County for Grant Number B-C-04-068-1 included a program budget of \$50,000 for amounts to be paid from Community Development Block Grant (CDBG) funds. \$33,069.04 representing Implementation and General Administration Costs was spent for acquisition and new construction activities.

All Community Development Block Grant Program funds are required to be reported to the State of Ohio, Department of Development. There are two required reports: Status Reports which are completed every six months and the Final Performance Report. Scioto County did not accurately complete the Final Performance Report for grant number B-C-04-068-1 and grant number B-F-05-068-1. Further, \$30,069.04 received for Implementation Costs and General Administration Costs was used for acquisition and new construction activities. In addition, there was no indication that an excess amount of \$15,822.96 drawn down for grant number B-F-05-068-1 had been expended.



**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).
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. Proceeds From Lease is presented as an other financing source (budget basis) as opposed to a liability on the balance sheet (GAAP basis).
8. 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:

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

Net Change in Fund Balance

	General	Public Assistance	Motor Vehicle Gas Tax	Board of Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	(\$903,237)	(\$486,037)	\$531,653	\$2,028,385	\$154,674
Increases (Decreases) Due To:					
Revenue Accruals	(528,190)	1,264,659	(7,181)	158,742	39,602
Expenditure Accruals	297,140	(399,241)	(105,221)	1,351,881	(71,358)
Encumbrances	(96,430)	(659,250)	(128,958)	(64,852)	(47,545)
Unrecorded Cash - 2006	(112,240)	(21,713)	(6,610)	(1,000,922)	(30,262)
Unrecorded Cash - 2005	98,444	10,379	4,914	148,723	23,174
Transfers	(83,108)	0	0	0	0
Advances	(63,279)	0	(68,000)	0	0
Proceeds From Notes	45,000	0	0	0	0
Proceeds From Lease	0	0	0	(861,229)	0
Unbudgeted Activity	16,715	0	0	0	0
Budget Basis	<u>(\$1,329,185)</u>	<u>(\$291,203)</u>	<u>\$220,597</u>	<u>\$1,760,728</u>	<u>\$68,285</u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States, or any book entry zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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;

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

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 similar securities, or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred seventy days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to fifteen percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to one percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

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

**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 specific dealers and institutions.

**INVESTMENTS**

As of December 31, 2006, the County had the following investments.

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$36,121	average 39 days
Repurchase Agreements	<u>6,166,909</u>	01/02/07
Total	<u><u>\$6,203,030</u></u>	

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

*Credit Risk:* STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The underlying securities for the Repurchase Agreements are Federal Home Loan Bank Bonds, which are not rated, and Freddie Gold Certificate of Investments which are not rated. 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 99.4 percent of the County's total investments.

**NOTE 7 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the County. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009.

The full tax rate for all County operations for the year ended December 31, 2006, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$586,072,310
Commercial/Industrial/Public Utility	139,801,590
Public Utility Real	9,681,180
Public Utility	77,228,800
General Business	60,052,420
Total Assessed Value	<u><u>\$872,836,300</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 taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2006, 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 2006 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 2006.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2006, 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, due from component unit, and loans. All receivables are considered fully collectible and will be received within one year with the exception of property and sales taxes, loans, and due from component unit. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property and sales taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. The amount for due from component unit expected to be collected in more than one year for the County is \$111,652 and the amount expected to be collected within one year is \$27,519.

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2006, was \$717,812, of which \$87,002 is considered to be due within one year.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**NOTE 9 - RECEIVABLES (Continued)**

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

	<i>Amount</i>
<u>Governmental Activities</u>	
Local Government	\$474,946
Local Government Revenue Assistance	141,981
Juvenile Detention Center Contractual Services	43,154
Human Services Grant	614,539
Child Support Poundage	17,824
MRDD Contract Services	3,115
Children Services Reimbursements	627,618
Court Fines and Fees	56,765
CHIP Program	462,000
Homestead and Rollback	368,409
REACH Grants	74,363
Felony Delinquent Care and Custody Grant	160,408
Community Corrections Act Grant	56,084
School Lunch Reimbursement	1,640
Special Education Grant	61,823
Sheriff Contracts	57,743
Social Security Incentive Program	400
Educational Options for Children	3,302
Rural Transit Grant	145,413
Hearing Impaired Grant	7,696
VOCA Grant	18,000
United Way Grant	3,333
Community Development Block Grant	846,500
Supreme Court of Ohio Mediation Grant	8,851
Byrne Justice Assistance Grant	9,135
ODP Citizen's Corps Grant	8,170
Title V	64,441
CASA/GAL Program Grant	239,819
Provision of Jail Facility Services to Other Entities	7,261
State Homeland Security Grant	48,860
Emergency Management Grant	5,715
Hayport Bridge Replacement Grant	3,613
Hazardous Material Emergency Preparedness Training and Planning Grant	2,007
Gasoline Tax	1,059,111
Motor Vehicle License Tax	1,214,624
Total Governmental Activities	6,918,663
<u>Business-Type Activities</u>	
Ohio Public Works Commission Grant	54,256
Community Development Block Grant	817,500
Total Business-Type Activities	871,756
Total Intergovernmental Receivables	\$7,790,419

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**NOTE 10 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2006, was as follows:

	Balance At 12/31/2005	Additions	Deletions	Balance At 12/31/2006
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,851,742	\$0	\$0	\$1,851,742
Construction in Progress	11,348,404	3,611,755	(12,392,480)	2,567,679
Total Capital Assets, Not Being Depreciated	<u>13,200,146</u>	<u>3,611,755</u>	<u>(12,392,480)</u>	<u>4,419,421</u>
Depreciable Capital Assets:				
Land Improvements	64,574	0	0	64,574
Buildings and Building Improvements	28,448,094	12,372,480	0	40,820,574
Furniture, Fixtures, and Equipment	3,494,713	131,807	(138,212)	3,488,308
Vehicles	5,094,562	1,203,747	(447,658)	5,850,651
Infrastructure	4,747,290	1,654,625	0	6,401,915
Total Depreciable Capital Assets	<u>41,849,233</u>	<u>15,362,659</u>	<u>(585,870)</u>	<u>56,626,022</u>
Less Accumulated Depreciation:				
Land Improvements	(57,701)	(1,700)	0	(59,401)
Buildings and Building Improvements	(6,265,950)	(675,450)	0	(6,941,400)
Furniture, Fixtures, and Equipment	(2,103,169)	(209,977)	54,581	(2,258,565)
Vehicles	(3,845,685)	(430,267)	360,883	(3,915,069)
Infrastructure	(399,330)	(230,189)	0	(629,519)
Total Accumulated Depreciation	<u>(12,671,835)</u>	<u>(1,547,583)*</u>	<u>415,464</u>	<u>(13,803,954)</u>
Depreciable Capital Assets, Net	<u>29,177,398</u>	<u>13,815,076</u>	<u>(170,406)</u>	<u>42,822,068</u>
Governmental Activities Capital Assets, Net	<u>\$42,377,544</u>	<u>\$17,426,831</u>	<u>(\$12,562,886)</u>	<u>\$47,241,489</u>



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**NOTE 10 - CAPITAL ASSETS (Continued)**

	Balance At 12/31/2005	Additions	Deletions	Balance At 12/31/2006
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$1,090,867	\$757,305	(\$1,831,332)	\$16,840
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	11,363,211	1,831,332	0	13,194,543
Total Depreciable Capital Assets	<u>19,239,541</u>	<u>1,831,332</u>	<u>0</u>	<u>21,070,873</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	(1,961,624)	(139,771)	0	(2,101,395)
Furniture, Fixtures, and Equipment	(617,719)	(32,772)	0	(650,491)
Vehicles	(171,381)	(11,978)	0	(183,359)
Infrastructure	(2,468,445)	(226,048)	0	(2,694,493)
Total Accumulated Depreciation	<u>(5,219,169)</u>	<u>(410,569)</u>	<u>0</u>	<u>(5,629,738)</u>
Depreciable Capital Assets, Net	<u>14,020,372</u>	<u>1,420,763</u>	<u>0</u>	<u>15,441,135</u>
Business-Type Activities				
Capital Assets, Net	<u>\$15,111,239</u>	<u>\$2,178,068</u>	<u>(\$1,831,332)</u>	<u>\$15,457,975</u>

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

General Government:	
Legislative and Executive	\$132,894
Judicial	26,064
Public Safety:	
Sheriff	316,492
Other	229,931
Public Works	322,750
Health	183,166
Human Services	59,928
Conservation and Recreation	219,532
Transportation	56,826
Total Depreciation Expense	<u>\$1,547,583</u>

**NOTE 11 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains comprehensive insurance coverage with the County Risk Sharing Authority, Inc. (CORSA) (See Note 20) for liability, property, auto, and crime insurance. The County also carries Public Officials liability insurance through various insurance agencies. Settlements have not exceeded coverage in any of the last three years. There has not been a significant change in coverage from the prior year.

**NOTE 11 - RISK MANAGEMENT (Continued)**

For 2006, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan (the Plan), a group purchasing pool. (See Note 20) The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

**NOTE 12 - 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) 222-5601 or (800) 222-7377.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 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. The County's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement. For those classifications, the County's pension contributions were 16.93 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, 2006, 2005, and 2004 were \$1,549,538, \$2,416,456, and \$1,988,363, respectively; 85.13 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$18,332 made by the County and \$12,043 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 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2006, 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 2005, 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, 2006, 2005, and 2004 were \$59,170, \$96,340, and \$95,421, respectively; 97.19 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

**NOTE 13 - 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. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual County contributions for 2006 which were used to fund postemployment benefits were \$730,235. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**NOTE 13 - 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, 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. All 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, 2006, 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 \$4,552 for 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**DEFERRED COMPENSATION**

County employees and elected officials may participate in one of two state-wide deferred compensation plans created in accordance with Internal Revenue Code Section 457, one offered by the State of Ohio and one by the County Commissioners Association of Ohio. Participation is on a voluntary payroll deduction basis. Each plan permits deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

**COMPENSATED ABSENCES**

County employees earn vacation and sick leave at varying rates depending on length of service and 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.

**NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)**

The employees in the Department of Children 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.

**INSURANCE BENEFITS**

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

**NOTE 15 - LEASES – LESSEE DISCLOSURE**

During 2006, 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. In 2006, the County entered into a lease-purchase agreement for the installation of energy-saving equipment and for making renovations to the facilities of the Board of Mental Retardation and Developmental Disabilities. The County is leasing the project from Citimortgage, Inc. Citimortgage, Inc has deposited \$861,229 with UMB Bank, who will serve as the fiscal agent for the monies. The County will utilize the monies held by UMB Bank for the renovations as they progress. In turn, the County will make semi-annual lease payments to UMB Bank. The lease will expire in 2017.

Capital assets acquired under the lease-purchase agreement will be capitalized as buildings and improvements and furniture and equipment as appropriate in the Statement of Net Assets for governmental activities during 2007. A liability was recorded on the Statement of Net Assets for governmental activities in the amount of \$861,229.

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 \$1,174,097. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2006 totaled \$271,893 in the governmental funds.

The assets acquired through capital leases as of December 31, 2006, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Vehicles	\$933,738	\$116,716	\$817,022
Furniture, Fixtures, and Equipment	240,359	72,853	167,506
Total	\$1,174,097	\$189,569	\$984,528

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**NOTE 15 - LEASES – LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2006:

Year Ending December 31,	
2007	\$336,998
2008	414,416
2009	273,508
2010	263,051
2011	243,539
2012-2016	528,990
2017	105,798
Total	2,166,300
Less: Amount Representing Interest	(342,228)
Present Value of Net Minimum Lease Payments	\$1,824,072

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 the budgetary statements. Total operating lease payments in 2006 were \$19,000, which were paid from the Special Revenue Funds.

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

Year Ending December 31,	
2007	\$46,162
2008	43,316
2009	41,341
2010	37,868
2011	25,540
Total	\$194,227

**NOTE 16 - LONG-TERM OBLIGATIONS**

**BUSINESS-TYPE ACTIVITIES**

General Obligation Bonds

The County has issued General Obligation Bonds supported by Sewer Fund revenues. The proceeds of the bonds were used to fund various improvement projects in the County’s sewer system.

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

On June 21, 1997, the County issued General Obligation Sewer 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.

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.

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, 2006, was \$124,482 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, 2006, has been reduced by the unamortized loss of \$124,482 within the financial statements. The entire amount of the refunded bonds was repaid, leaving no balance still outstanding on the original debt.

**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**

The OPWC loans consist of money owed to the Ohio Public Works Commission for various sewer line and pump station renovation projects. These consist of 20 year loans payable from gross revenues of the Sewer Fund. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements.

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 16 - LONG-TERM OBLIGATIONS (Continued)**

	Principal Outstanding at 12/31/2005	Additions	Deletions	Principal Outstanding at 12/31/2006	Due Within One Year
<i><u>Business-Type Activities</u></i>					
<i><u>General Obligation Bonds</u></i>					
Franklin Furnace Sewer Improvement					
Bonds 1997 4.50% - \$846,000	\$771,858	\$0	\$11,241	\$760,617	\$11,747
West Portsmouth Sewer System					
Refunding Bonds 1999 4.50% - \$2,880,000	2,065,000	0	135,000	1,930,000	140,000
Unamortized Loss	(135,799)	0	(11,317)	(124,482)	0
Wheelersburg Wastewater Treatment					
Plant Bonds 2004 4.50% - \$1,200,000	1,177,070	0	12,240	1,164,830	12,800
Rigrish Sewer Bonds					
2006 4.50% - \$322,000	0	322,000	0	322,000	3,008
<b>Total Enterprise General Obligation Bonds</b>	<b>3,878,129</b>	<b>322,000</b>	<b>147,164</b>	<b>4,052,965</b>	<b>167,555</b>
<i><u>Mortgage Revenue Bonds</u></i>					
1970 5.375% - \$615,000	165,000	0	30,000	135,000	30,000
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth					
Improvement 1993 5.00% - \$825,000	716,300	0	12,300	704,000	12,900
FHA Bonds - Lucasville Phase II					
1995 4.50% - \$650,000	575,390	0	9,430	565,960	9,850
FHA Bonds - Lucasville Phase III					
1996 3.86% - \$842,500	757,470	0	11,698	745,772	12,224
FHA Bonds - West Portsmouth					
Phase VII 1999 4.50% - \$825,000	773,230	0	10,040	763,190	10,490
FHA Bonds - Lucasville Phase IV					
2001 4.75% - \$347,940	330,520	0	4,880	325,640	5,120
<b>Total FHA Bonds</b>	<b>3,152,910</b>	<b>0</b>	<b>48,348</b>	<b>3,104,562</b>	<b>50,584</b>
<i><u>OPWC Loans</u></i>					
2002 0% - \$162,352	133,939	0	8,118	125,821	8,118
2004 0% - \$162,100	149,941	0	8,106	141,835	8,106
2006 0% - \$235,543	0	235,543	0	235,543	11,778
2006 0% - \$9,482	0	9,482	0	9,482	474
<b>Total OPWC Loans</b>	<b>283,880</b>	<b>245,025</b>	<b>16,224</b>	<b>512,681</b>	<b>28,476</b>
<i><u>Other Long-Term Obligations</u></i>					
Compensated Absences Payable	88,524	64,577	49,858	103,243	73,731
<b>Total Business-Type Activities</b>	<b>\$7,568,443</b>	<b>\$631,602</b>	<b>\$291,594</b>	<b>\$7,908,451</b>	<b>\$350,346</b>

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**NOTE 16 - 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
2007	\$167,555	\$187,679	\$30,000	\$6,450	\$50,584	\$144,039
2008	173,789	181,649	35,000	4,703	52,894	141,686
2009	180,084	174,080	35,000	2,822	55,369	139,225
2010	191,438	166,276	35,000	941	57,950	136,648
2011	197,856	157,741	0	0	60,708	133,951
2012-2016	1,142,812	644,892	0	0	348,420	624,653
2017-2021	449,057	419,612	0	0	437,356	535,630
2022-2026	291,677	351,776	0	0	549,144	423,825
2027-2031	363,483	279,967	0	0	689,585	283,312
2032-2036	452,970	190,499	0	0	679,312	114,136
2037-2041	367,788	91,747	0	0	123,240	11,254
2042-2046	198,938	18,984	0	0	0	0
Totals	\$4,177,447	\$2,864,902	\$135,000	\$14,916	\$3,104,562	\$2,688,359

OPWC Loans	Totals	
	Principal	Interest
\$28,476	\$276,615	\$338,168
28,476	290,159	328,038
28,476	298,929	316,127
28,476	312,864	303,865
28,476	287,040	291,692
142,380	1,633,612	1,269,545
142,380	1,028,793	955,242
85,541	926,362	775,601
0	1,053,068	563,279
0	1,132,282	304,635
0	491,028	103,001
0	198,938	18,984
\$512,681	\$7,929,690	\$5,568,177

**NOTE 16 - 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 bonds are reported as part of unrestricted net assets because the proceeds were used for the renovation of a building owned by the Southern Ohio Port Authority. 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 Human Services Refunding Bonds are being paid with monies received into the Debt Service Fund from the Public Assistance Special Revenue Fund. The County Jail Bonds are being paid from general revenues of the County.

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, 2006, was \$31,405. The refunded bonds were retired on August 1, 2004.

The 2006 Various Purpose Refunding Bonds were issued November 14, 2006, for the purpose of advance refunding \$525,000 of the 2000 Various Purpose Bonds, \$1,055,000 of the 2000 Juvenile Detention Center Bonds, the Human Services Building Acquisition Bond Anticipation Note in the amount of \$210,000, the County Jail Bond Anticipation Note in the amount of \$250,000, and the Various Purpose Bond Anticipation Note in the amount of \$700,000. The difference between the amount of the refunding bond issue and the total of the outstanding principal of the debt issues refunded was used to pay for issuance costs, interest due at the time of refunding, and the amount paid to the escrow agent above the principal outstanding. The Human Services Bond Anticipation Note was refunded on January 23, 2007. The refunding resulted in a difference of \$107,100 between the net carrying amount of the old bonded 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 old bonds using the straight-line method. The unamortized amount of the loss at December 31, 2006, was \$104,916. At December 31, 2006, \$1,580,000 of the refunded bonds was outstanding.

**Mental Retardation and Developmental Disabilities (MRDD) Loans**

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.

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

**State Infrastructure Bank Loans**

During 2005, the County entered into a loan through the Ohio Department of Transportation State Infrastructure Bank for the construction of a bridge replacement on Dixon Mill Road. The County receives the proceeds of the loan from the Ohio Department of Transportation as expenditures are incurred. During 2006, the County received \$1,281,360. At year-end, the County had submitted a reimbursement request for the final \$94,715 of the loan proceeds. The \$1,281,360 is being reported as a long-term liability in the financial statements and the \$94,715 will be added to the liability in 2007. A final amortization schedule was not available. Repayment is scheduled to begin in 2007. However, the County Engineers' Association has agreed to repay the loan on behalf of the County through the County Local Bridge Program. Repayment by the County Engineers' Association occurred in 2007.

During 2006, the County entered into a loan through the Ohio Department of Transportation State Infrastructure Bank for the construction of a bridge replacement on Arion Road. The County receives the proceeds of the loan from the Ohio Department of Transportation as expenditures are incurred. During 2006, the County received \$27,600. At year-end, the County had not completed a significant portion of the project. Therefore, most of the proceeds will be received in 2007. The \$27,600 is being reported as a long-term liability in the financial statements and the remainder will be added to the liability in 2007 once the project is complete and a final amount is known. The County Engineers' Association has agreed to repay the loan on behalf of the County through the County Local Bridge Program. Repayment by the County Engineers' Association is scheduled to occur in July 2008.

**Capital Leases and Compensated Absences**

Capital leases will be paid from the General Fund and the Public Assistance, the Board of Mental Retardation and Developmental Disabilities, the Sheriff's Policing Rotary, and the Coordinated Transportation Special Revenue Funds.

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

General Fund  
Dog and Kennel 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  
Sheriff's Policing Rotary Special Revenue Fund  
Children Services Special Revenue Fund  
Revolving Loan Special Revenue Fund  
Coordinated Transportation Special Revenue Fund  
State Community Development Special Revenue Fund  
Recycling and Litter Prevention Special Revenue Fund  
Clerk of Courts Certificate of Title Administration Special Revenue Fund

**SCIOTO COUNTY, OHIO**  
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**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Mediation Grant Special Revenue Fund  
Victims of Crime Special Revenue Fund  
Emergency Management Assistance Special Revenue Fund  
Jail Construction Capital Projects Fund  
Sewer District Enterprise Fund

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

	Principal Outstanding at 12/31/2005	Additions	Deletions	Principal Outstanding at 12/31/2006	Due Within One Year
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
Airport Facilities Bond					
2001 7.00% - \$55,000	\$31,198	\$0	\$7,027	\$24,171	\$7,519
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	2,595,000	0	60,000	2,535,000	65,000
Various Purpose Bonds					
2000 5.7% - \$1,940,000	1,320,000	0	665,000	655,000	155,000
Juvenile Detention Center Bonds					
2000 5.80% - \$1,820,000	1,525,000	0	1,125,000	400,000	70,000
Human Services Refunding Bonds					
2004 2.00 - 3.25% - \$2,050,000	1,590,000	0	250,000	1,340,000	255,000
Unamortized Loss	(37,686)	0	(6,281)	(31,405)	0
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	5,975,000	0	165,000	5,810,000	165,000
Premium on Jail Bonds	4,913	0	205	4,708	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	0	2,930,000	0	2,930,000	80,000
Unamortized Loss	0	(107,100)	(2,184)	(104,916)	0
<b>Total General Obligation Bonds</b>	<b>13,003,425</b>	<b>2,822,900</b>	<b>2,263,767</b>	<b>13,562,558</b>	<b>797,519</b>
<i>Other Long-Term Obligations</i>					
MRDD Loan					
1986 3.00% - \$150,000	53,629	0	6,802	46,827	7,040
State Infrastructure Bank Loan - Dixon Mill					
Road Bridge 2006 - 3.00%	0	1,281,360	0	1,281,360	1,281,360
State Infrastructure Bank Loan - Arion					
Road Bridge 2006 - 3.00%	0	27,600	0	27,600	0
Capital Leases Payable	194,730	1,901,235	271,893	1,824,072	271,131
Compensated Absences Payable	2,017,050	986,828	1,024,194	1,979,684	1,187,041
<b>Total Other Long-Term Obligations</b>	<b>2,265,409</b>	<b>4,197,023</b>	<b>1,302,889</b>	<b>5,159,543</b>	<b>2,746,572</b>
<b>Total Governmental Activities</b>	<b>\$15,268,834</b>	<b>\$7,019,923</b>	<b>\$3,566,656</b>	<b>\$18,722,101</b>	<b>\$3,544,091</b>

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

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

	General Obligation		MRDD Loan		Totals	
	Bonds		Principal	Interest	Principal	Interest
	Principal	Interest				
2007	\$797,519	\$663,114	\$7,040	\$1,503	\$804,559	\$664,617
2008	828,045	624,247	7,287	1,257	835,332	625,504
2009	858,607	592,139	7,542	1,002	866,149	593,141
2010	895,000	557,200	7,806	738	902,806	557,938
2011	795,000	519,695	8,080	464	803,080	520,159
2012-2016	2,825,000	2,195,648	9,072	184	2,834,072	2,195,832
2017-2021	2,960,000	1,492,557	0	0	2,960,000	1,492,557
2022-2026	2,620,000	716,439	0	0	2,620,000	716,439
2027-2031	1,115,000	113,250	0	0	1,115,000	113,250
Totals	<u>\$13,694,171</u>	<u>\$7,474,289</u>	<u>\$46,827</u>	<u>\$5,148</u>	<u>\$13,740,998</u>	<u>\$7,479,437</u>

The County's total legal debt margin was \$15,937,354 at December 31, 2006, with an unvoted debt margin of \$5,600,809 at December 31, 2006.

**CONDUIT DEBT OBLIGATION**

During 1985, the County, in conjunction with several other political subdivisions of Ohio, issued Revenue Bonds in the aggregate principal amount of \$72,000,000. The proceeds were used to fund the VHA Central Inc. Capital Asset Financing Program. The program provides financing for hospitals in Ohio to acquire equipment and other capital assets. The balance outstanding as of December 31, 2006, is \$34,200,000.

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 balance outstanding as of December 31, 2006, is \$8,654,545.

During 2001, the County issued Revenue Bonds in the aggregate principal amount of \$1,870,000 for the Shawnee Mental Health Center. The proceeds were used by the Shawnee Mental Health Center to construct a new facility. The balance outstanding as of December 31, 2006, is \$1,640,000.

During 2002, the County issued Revenue Bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds were used by The Counseling Center, Inc. to renovate two of its facilities and to refinance an outstanding commercial loan that was used to acquire and renovate three of its facilities. The balance outstanding as of December 31, 2006, is \$1,060,000.

During 2006, the County issued Hospital Revenue Bonds in the aggregate principal amount of \$131,375,000 for the Southern Ohio Medical Center (SOMC). The proceeds were used by SOMC to construct a new addition to the Hospital Facility and related renovations. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. The balance outstanding as of December 31, 2006, is \$131,375,000.

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

Conduit debt bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment.

**NOTE 17 - BOND ANTICIPATION NOTES PAYABLE**

During 2006, the County paid \$20,000 of the outstanding \$135,000 Hanger Bond Anticipation Note and reissued \$115,000. On September 19, 2007, the County paid \$20,000 against the \$115,000 note and refinanced the remaining \$95,000 into a new note. Therefore, the \$115,000 liability outstanding at December 31, 2006 is split with \$95,000 presented as a long-term liability and \$20,000 presented as a fund liability in the financial statements.

During 2006, the County paid \$5,000 of the outstanding \$292,000 Commercial Property Acquisition Bond Anticipation Note and reissued \$287,000. On September 19, 2007, the County paid \$25,000 against the \$287,000 note and refinanced the remaining \$262,000 into a new note. Therefore, the \$287,000 liability outstanding at December 31, 2005 is split with \$262,000 presented as a long-term liability and \$25,000 presented as a fund liability in the financial statements.

During 2006, the County retired the County Jail Bond Anticipation Note in the amount of \$250,000 with proceeds from the 2006 Various Purpose General Obligation Bond Issue. The note was paid from the Jail Construction Note Capital Projects Fund.

During 2006, the County reissued the Various Purpose Bond Anticipation Note in the amount of \$500,000. On September 19, 2007, the County paid \$25,000 against the \$500,000 note and refinanced the remaining \$475,000 into a new note. Therefore, the \$500,000 liability outstanding at December 31, 2006 is split with \$475,000 presented as a long-term liability and \$25,000 presented as a fund liability in the financial statements.

During 2006, the County issued a Various Purpose Bond Anticipation Note in the amount of \$700,000. The proceeds were used for the purchase of computer equipment and for expenditures related to the construction of the jail. The note was retired with proceeds from the 2006 Various Purpose General Obligation Bond Issue.

During 2006, the County issued the 911 Equipment Bond Anticipation Note in the amount of \$144,000. The proceeds were used for the purchase of 911 equipment. On June 1, 2007, the note was reissued in the amount of \$144,000; therefore, the note is presented as a long-term liability in the financial statements. The note was paid from the General Fund.

During 2006, the County paid \$10,000 of the outstanding \$220,000 long-term liability for the Human Services Building Acquisition Bond Anticipation Note and reissued \$210,000. On January 23, 2007, the County retired the note with proceeds from the 2006 Various Purpose General Obligation Bond Issue. The note is presented as a long-term liability in the financial statements. The note was paid from the Human Services Building Note Debt Service Fund

**SCIOTO COUNTY, OHIO**  
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**NOTE 17 - BOND ANTICIPATION NOTES PAYABLE (Continued)**

On May 31, 2006, the County reissued the Rigrish Sewer Bond Anticipation Note in the amount of \$322,000. On August 31, 2006, the County issued the Rigrish Sewer General Obligation Bonds and retired the Rigrish Sewer Bond Anticipation Note. The note was paid from the Sewer Fund.

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

<u>Types / Issues</u>	<u>Balance 12/31/05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/06</u>
<u>Governmental Activities</u>				
Airport Hangar Bond Anticipation Note				
November 15, 2005 - 4.10% - \$135,000	\$135,000	\$0	\$135,000	\$0
November 14, 2006 - 4.25% - \$115,000	0	115,000	0	115,000
Commercial Property Acquisition Bond Anticipation Note				
September 22, 2005 - 3.40% - \$292,000	292,000	0	292,000	0
September 20, 2006 - 3.80% - \$287,000	0	287,000	0	287,000
County Jail Bond Anticipation Note				
November 16, 2005 3.75% - \$250,000	250,000	0	250,000	0
Various Purpose Bond Anticipation Note				
December 1, 2005 - 5.38% \$500,000	500,000	0	500,000	0
November 14, 2006 - 6.25% \$500,000	0	500,000	0	500,000
Various Purpose Bond Anticipation Note				
September 20, 2006 - 4.00% \$700,000	0	700,000	700,000	0
911 Equipment Bond Anticipation Note				
November 30, 2006 - 4.00% \$144,000	0	144,000	0	144,000
Human Services Building Acquisition Bond Anticipation Note				
January 27, 2005 - 3.00% - \$220,000	220,000	0	220,000	0
January 26, 2006 - 3.95% - \$210,000	0	210,000	0	210,000
<b>Total Governmental Activities</b>	<b>\$1,397,000</b>	<b>\$1,956,000</b>	<b>\$2,097,000</b>	<b>\$1,256,000</b>
<u>Business-Type Activities</u>				
Rigrish Sewer Bond Anticipation Note				
June 1, 2005 3.46% - \$322,000	322,000	0	322,000	0
Rigrish Sewer Bond Anticipation Note				
May 31, 2006 4.85% - \$322,000	\$0	\$322,000	\$322,000	\$0



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
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**NOTE 18 - INTERFUND ACTIVITY**

Interfund balances at December 31, 2006, consist of the following individual fund receivables and payables:

		Receivables				
Payables		General	Motor Vehicle Gas Tax	Children Services	Nonmajor Governmental Funds	Total
	General	\$0	\$978,169	\$0	\$500,000	\$1,478,169
Public Assistance	8,638	0	75,176	54,419	138,233	
Nonmajor Governmental Funds	81,748	68,000	0	0	149,748	
<b>Total</b>	<b>\$90,386</b>	<b>\$1,046,169</b>	<b>\$75,176</b>	<b>\$554,419</b>	<b>\$1,766,150</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, for services performed for which payments are owed, or to cover a negative cash balance in another fund. The Motor Vehicle Gas Tax Fund advanced money to the Hayport Road Bridge Construction Nonmajor Fund. The Public Assistance Fund has outstanding payables to the General Fund, Children Services Fund, and other Nonmajor Governmental Funds for services provided through various contracts these departments have with Public Assistance. All advances will be reimbursed either when funds become available or when payments for services are rendered. The General Purpose Bond Fund advanced the General Fund \$500,000 which was used for general operating expenditures.

During 2006, the County had a negative cash balance in the General Fund due to the costs of the jail operation. The County made an advance from the Motor Vehicle Gas Tax Fund in the amount of \$978,169 to eliminate the negative cash balance in the General Fund.

Transfers made during the year ended December 31, 2006 were as follows:

		Transfers To				
Transfers From		General	Public Assistance	Motor Vehicle Gas Tax	Nonmajor Governmental Funds	Total
	General	\$0	\$372,021	\$206,168	\$1,886,602	\$2,464,791
Board of MRDD	0	0	0	798,603	798,603	
Nonmajor Governmental Funds	9,825	0	0	60,690	70,515	
<b>Total</b>	<b>\$9,825</b>	<b>\$372,021</b>	<b>\$206,168</b>	<b>\$2,745,895</b>	<b>\$3,333,909</b>	

**NOTE 18 - INTERFUND ACTIVITY (Continued)**

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies were transferred from the Board of Mental Retardation and Developmental Disabilities Fund to the Mental Retardation and Developmental Disabilities Capital Improvement Fund. Monies were also transferred from the General Fund and the Real Estate Assessment Fund to nonmajor debt service funds to make debt service payments.

**NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE**

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

Scioto County is a member of the three-county Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS Board), which is a jointly governed organization between Adams, Lawrence, and Scioto Counties. The purpose of the ADAMHS 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 Services, 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 percent of the total members appointed by the three counties. The ADAMHS Board received a contribution from the County of \$2,000 during 2006.

**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 2006; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

**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 2006.

**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 2006, 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 authority to impose its will on the organization nor is a burden/benefit relationship in existence. During 2006, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE (Continued)**

**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 2006.

**SOUTHERN OHIO COUNCIL OF GOVERNMENTS**

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization, created under the Ohio Revised code section 167.01. The governing body consists of a thirteen member board with each participating County represented by the Director of its Board of Mental Retardation and Developmental Disabilities. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto and Vinton Counties. Financial statements can be obtained from the Southern Ohio Council of Governments, 43 N. Paint St., Chillicothe, Ohio, 45601.

**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 is performed by Lawrence County.

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 \$91,528 as of December 31, 2006. Complete financial statements can be obtained from the Solid Waste District located at Veterans Square, 3rd Floor, Ironton, OH 45638.

**NOTE 20 - RISK SHARING POOL / GROUP PURCHASING POOL**

**COUNTY RISK SHARING AUTHORITY, 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 2006 was \$345,131.

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

**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.

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**NOTE 21 - 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 22 - CONTRACTUAL COMMITMENTS**

As of December 31, 2006, the County had the following contractual purchase commitments for the following projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2006
<i>Community Development Program Assistance</i>			
Leighty and Snider	\$30,000	\$4,720	\$25,280
<i>CHIP Program Assistance</i>			
MultiCom, Inc.	31,500	0	31,500
<i>Hayport Road Bridge Replacement</i>			
Jones - Stuckey Ltd, Inc.	258,933	74,718	184,215
<i>Dixon Mill Bridge Replacement</i>			
C. J. Mahan Construction Co., LLC.	1,448,500	1,402,140	46,360
<i>Arion Road Bridge Replacement</i>			
C. J. Mahan Construction Co., LLC.	1,500,000	39,724	1,460,276
<i>Energy Performance Renovations</i>			
Ameresco, Inc.	835,543	779,140	56,403
<i>Scioto County Pump Station and Manhole Improvements</i>			
Woolpert, Inc.	152,805	75,244	77,561
<i>Auditor's Office Application Software</i>			
Manatron	268,626	228,332	40,294
<i>Eden Park Sanitary Sewer</i>			
Woolpert, Inc.	17,200	16,840	360
Totals	<u>\$4,543,107</u>	<u>\$2,620,858</u>	<u>\$1,922,249</u>

**NOTE 23 - 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.

**NOTE 23 - CONTINGENT LIABILITIES (Continued)**

**FEDERAL AND STATE GRANTS**

For the period January 1, 2006, to December 31, 2006, the County received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

**NOTE 24 - RELATED PARTY TRANSACTIONS**

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of STAR, Inc. In 2006, these contributions were \$90,979.

**NOTE 25 - SUBSEQUENT EVENTS**

On January 23, 2007, the County retired the Human Services Building Acquisition Bond Anticipation Note in the amount of \$210,000 with proceeds from the Various Purpose Refunding Bonds issued on November 14, 2006.

On May 26, 2007, the County reissued the 911 Bond Anticipation Note in the amount of \$144,000 at a rate of 4.00 percent. The note will mature on August 10, 2007.

On June 22, 2007, the Sheriff's office leased seven 2008 cruisers in the amount of \$135,107 at a rate of 6.40 percent. The lease will expire on June 22, 2010.

On September 19, 2007, the County reissued the Hanger Bond Anticipation Note in the amount of \$95,000 at a rate of 4.10 percent. The note will mature on September 17, 2008.

On September 19, 2007, the County reissued the Commercial Property Acquisition Bond Anticipation Note in the amount of \$262,000 at a rate of 4.00 percent. The note will mature on September 17, 2008.

On September 19, 2007, the County reissued the Various Purpose Bond Anticipation Note in the amount of \$475,000 at a rate of 6.25 percent. The note will mature on September 17, 2008.

During September 2007, the County Engineers' Association County repaid the loan on behalf of the County for the loan issued through the Ohio Department of Transportation State Infrastructure Bank for the construction of a bridge replacement on Dixon Mill Road. The final amount of the loan was \$1,376,075.

**NOTE 26 - FINANCIAL CONDITION**

During 2006, the County had a GAAP basis negative cash balance in the General Fund. This was due to the cost of operating the jail which is mainly supported with General Fund monies. The County made an advance from the Motor Vehicle Gas Tax Fund in the amount of \$978,169 to eliminate the GAAP basis negative cash balance in the General Fund. The Auditor of State's Local Government Services Division is performing a Financial Forecast for the Sheriff's Office and Jail Operations Fund. Further, as of December 13, 2007 the combined unencumbered cash basis fund balances of the General Fund and Sheriff's Office and Jail Operations Fund was a deficit balance of \$2,627,759. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**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.

Capital Assets - A summary of STAR, Inc. capital assets at December 31, 2006, follows:

Machinery and Equipment	\$230,099
Less: Accumulated Depreciation	<u>(177,533)</u>
Total Capital Assets (net)	<u><u>\$52,566</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.

Capital Leases - 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, 2006:



**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

Year Ending December 31,	
2007	\$5,069
2008	4,596
2009	4,596
2010	4,172
Total	18,433
Less: Amount Representing Interest	(2,286)
Present Value of Net Minimum Lease Payments	\$16,147

**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 improvements to the airport runways.

Capital Assets - A summary of the Scioto County Airport Authority’s capital assets at December 31, 2006, follows:

Land	\$365,737
Construction in Progress	48,722
Buildings	1,592,724
Machinery and Equipment	73,977
Vehicles	95,500
Infrastructure	471,635
Less: Accumulated Depreciation	(678,456)
Total Capital Assets (net)	\$1,969,839

**SCIOTO COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

*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 - 2006 4.25%	\$115,000
Airport Facilities Bonds	
2001 7.00% - \$55,000	<u>24,171</u>
Total Payable to Primary Government	<u><u>\$139,171</u></u>

**NOTE 28 – RESTATEMENT OF PRIOR YEAR NET ASSETS OF DISCRETELY PRESENTED COMPONENT UNIT**

For 2006, there were changes made to capital assets that resulted in the following changes to net assets of the Scioto County Airport Authority:

	Scioto County Airport Authority
Net Assets	
December 31, 2005	\$1,483,548
Adjustment to Capital Assets	<u>360,050</u>
Adjusted Net Assets,	
December 31, 2005	<u><u>\$1,843,598</u></u>

**SCIOTO COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR/ Pass Through Grantor/ Program Title</b>	<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>			
<i>Nutrition Cluster:</i>			
School Breakfast Program	142612-05PU-2006 142612-05PU-2007	10.553	\$ 5,001 <u>4,476</u>
Total School Breakfast Program			9,477
National School Lunch Program	142612-LLP4-2006 142612-LLP4-2007	10.555	7,748 <u>6,943</u>
Total National School Lunch Program			<u>14,691</u>
Total Nutrition Cluster			24,168
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities - grant	N/A	10.760	<u>110,578</u>
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			134,746
<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-F-06-068-1 B-W-02-068-1	14.228	62,715 40,000 276,895 6,500 <u>464,157</u>
Total Community Development Block Grants/State's Program			850,267
Home Investment Partnerships Program	B-C-04-068-2	14.239	<u>30,107</u>
TOTAL UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			880,374
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grants	2004-JB-008-B025 2003-JB-011-B025	16.523	19,151 <u>4,500</u> 23,651
Total Juvenile Accountability Incentive Block Grants			23,651
<i>Passed through the Office of the Ohio Attorney General</i>			
Crime Victim Assistance	2007VACHAE760	16.575	4,818
<i>Passed through the Ohio Department of Public Safety</i>			
Edward Byrne Memorial Formula Grant Program	2003-BJ-E01-6313	16.579	33,373
<i>Direct from the United States Department of Justice</i>			
Edward Byrne Memorial Formula Grant Program	06-LE-11091400-013	16.579	2,250
<i>Passed through City of Portsmouth, Ohio</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-1111	16.738	<u>8,543</u>
TOTAL UNITED STATES DEPARTMENT OF JUSTICE			72,635
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-0704 3-39-0069-0805 3-39-0069-0906	20.106	2,499 39,089 <u>97,061</u>
Total Airport Improvement Program			138,649
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction - Grant	76478	20.205	43,857
Highway Planning and Construction - Loan	76170		<u>27,600</u>
Total Highway Planning and Construction			71,457
Formula Grants for Other Than Urbanized Areas	RPT-4073-024-061 RPT-0073-025-062	20.509	303,591 <u>68,800</u>
Total Formula Grants for Other Than Urbanized Areas			372,391
Total Passed Through Ohio Department of Transportation			443,848
<i>Passed Through Ohio Department of Public Safety - Governor's Highway Safety Office</i>			
State and Community Highway Safety	LEO-2006-73-00-00-00603	20.600	21,456

**SCIOTO COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR/ Pass Through Grantor/ Program Title</b>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<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 12th Year HMEP 13th Year	20.703	1,933 <u>2,007</u>
Total Interagency Hazardous Materials Public Sector Training and Planning Grants			<u>3,940</u>
TOTAL UNITED STATES DEPARTMENT OF TRANSPORTATION			607,893
<b><u>APPALACHIAN REGIONAL COMMISSION</u></b>			
<i>Direct from the United States Department of Agriculture</i> Appalachian Area Development	OH-14192-02	23.002	146,027
<i>Passed Through Ohio Department of Transportation</i> Appalachian Development Highway System	OH-15318-2006-I-201b	23.003	<u>55,199</u>
TOTAL APPALACHIAN REGIONAL COMMISSION			201,226
<b><u>UNITED STATES GENERAL SERVICES ADMINISTRATION</u></b>			
<i>Passed through Ohio Secretary of State:</i> Election Reform Payments	04-SOS-HAVA-73	39.011	<u>2,595</u>
TOTAL UNITED STATES GENERAL SERVICES ADMINISTRATION			2,595
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed through Ohio Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Program-Citizen Corps	2004-GC-T4-0025	97.004	19,514
Emergency Management Performance Grants	2006-EME60042	97.042	33,136
Homeland Security Grant Program	See Note E	97.067	<u>21,323</u>
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY			73,973
<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-2006 078063-6BSF-2007	84.027	52,619 <u>34,547</u>
Total Special Education_Grants to States			87,166
Special Education_Preschool Grants	078063-PGS1-2006 078063-PGS1-2007	84.173	9,803 <u>5,785</u>
Total Special Education_Preschool Grants			<u>15,588</u>
Total Special Education Cluster			102,754
State Grants for Innovative Programs	078063-C2S1-2006 078063-C2S1-2007	84.298	312 <u>91</u>
Total State Grants for Innovative Programs			<u>403</u>
Total Passed through Ohio Department of Education			103,157
<i>Passed through Ohio Rehabilitation Services Commission</i>			
Rehabilitation Services_Vocational Rehabilitation Grants to States	N/A	84.126	5,115

**SCIOTO COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>FEDERAL GRANTOR/ Pass Through Grantor/ Program Title</b>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<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-06 73-6-002-1-DE-07	84.181	46,259 <u>36,383</u>
Total Special Education_Grants for Infants and Families with Disabilities			82,642
<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-06 73-5-001-1-EG-07	84.181	68,965 <u>41,967</u>
Total Special Education_Grants for Infants and Families with Disabilities:			<u>110,932</u>
TOTAL UNITED STATES DEPARTMENT OF EDUCATION			301,846
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through Ohio CASA/GAL Association</i>			
State Court Improvement Program	N/A	93.586	13,444
<i>Passed through Ohio Department of Job and Family Services</i>			
Grants to States for Access and Visitation Programs	G-67-09-0498	93.597	6,774
<i>Passed through Ohio Developmental Disabilities Council</i>			
Developmental Disabilities Basic Support and Advocacy Grants	04-3/06	93.630	65,000
<i>Passed through State Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant - Title XX	05-06 06-07	93.667	34,158 <u>33,470</u>
Total Social Services Block Grant			67,628
State Children's Insurance Program (SCHIP) - Title XXI: Targeted Case Management (TCM)	N/A	93.767	265
Medical Assistance Program - Title XIX			
Targeted Case Management (TCM)	N/A	93.778	191,779
CAFS / TCM Final Settlement for the period 2001 through 2003	N/A		798,603
Individual Options (IO) / Level 1 (L1) Waiver	N/A		640,061
CY 2004 Waiver Administration Settlement	N/A		10,339
Individual Options (IO) / Level 1 (L1) Waiver FY 2004 Reconciliation	N/A		37,620
Waiver Administrative Claiming Program (WAC)	N/A		<u>41,350</u>
Total Medical Assistance Program (Title XIX)			<u>1,719,752</u>
Total Passed through State Department of Mental Retardation and Development Disabilities			<u>1,787,645</u>
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,872,863</u>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>\$ 4,148,151</u></b>

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

**SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

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

These loans are collateralized by mortgages on the property and by equipment. At December 31, 2006, the gross amount of loans outstanding under this program was \$717,812. Total amounts written off are \$615,857.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - HOMELAND SECURITY CLUSTER**

The County reported the following federal programs for the Homeland Security Cluster on the Federal Awards Expenditure Schedule. Several programs for federal fiscal year 2005 were incorporated into the State Domestic Preparedness Equipment Support Program (CFDA # 97.004) and Homeland Security Grant Program (CFDA # 97.067) in accordance with the guidance from the U.S. Department of Homeland Security.

CFDA #	Program	Pass Through Entity Number	Amount
97.053	Citizen Corps	2004-GC-T4-0025	\$19,514
97.004	Total State Domestic Preparedness Equipment Support Program		<u>\$19,514</u>
CFDA #	Program	Pass Through Entity Number	Amount
97.042	Emergency Management Performance Grants	2005-EM-T5-0001	\$3,333
97.053	Citizen Corps	2006-GC-T6-0051	3,830
97.073	State Homeland Security Program (SHSP)	2006-GE-T6-0051	14,160
97.067	Total Homeland Security Grant Program Cluster		<u>\$21,323</u>



# Mary Taylor, CPA

Auditor of State

## 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, each major fund, and the aggregate discretely presented component units and remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 13, 2007 wherein we noted the County had a negative cash balance in the General Fund due to the cost of operating the jail which raises substantial doubt about its ability to continue as a going concern. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-006 through 2006-010.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-007 through 2006-010 are also material weaknesses.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated December 13, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-001 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated December 13, 2007.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of County Commissioners, federal awarding agencies, and pass through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 13, 2007





# Mary Taylor, CPA

Auditor of State

## 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, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs 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.

As described in findings 2006-011 through 2006-014 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Activities Allowed or Unallowed, Cash Management, Reporting, and Davis Bacon Act applying to its Community Development Block Grants/State's Program CFDA # 14.228. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Scioto County, Ohio complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the County's management dated December 13, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2006-013 and 2006-014 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider findings 2006-013 and 2006-014 to be material weaknesses.

The County's responses to the findings we identified are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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.



**Mary Taylor, CPA**  
Auditor of State

December 13, 2007

**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006**

**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 weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grants/State's Program CFDA # 14.228  Medical Assistance Program – Title XIX CFDA # 93.778
<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 AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)**

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

**FINDING NUMBER 2006-001**

**Finding for Adjustment, Noncompliance Citation and Significant Deficiency**

Ohio Rev. Code Section 133.22 (A)(1)(a) provides that the taxing authority of a subdivision having legal authority and desiring to issue anticipatory securities that are Chapter 133 securities may pass legislation, and if anticipatory securities are outstanding and are to be paid in whole or in part at their maturity from the proceeds of renewal anticipatory securities, the taxing authority shall pass legislation that, with respect to the bonds anticipated, declares the necessity of the bond issue and states its purpose, which shall be for one purpose, and the principal amount or maximum principal amount of the bonds and an estimated principal payment schedule for and an estimated or maximum average annual interest rate on the bonds. Ohio Rev. Code Section 133.22 (A)(2)(a) requires the legislation, with respect to anticipatory securities, to state the principal amount or maximum principal amount of the anticipatory securities to be issued and outstanding, not to exceed the amount of the bond issue.

Ohio Rev. Code Section 133.22 (A)(2)(b) requires the legislation, with respect to anticipatory securities, to provide for, or provide for the method for from time to time establishing or determining, the rate or rates of interest or the maximum rate or rates of interest to be paid on the anticipatory securities, the date or dates of the anticipatory securities, and the maturity or maturities or the maximum maturity of the anticipatory securities.

On October 5, 2006, the County Commissioners adopted a resolution authorizing the renewal of a \$500,000 Various Purpose Bond Anticipation Note. Originally, the \$500,000 was to be used for capital improvements in the Records Office and Job and Family Services Offices. However, payments for these projects were paid from the Recorder's Special Fund (237) and the Job and Family Services Fund (218) which meant that the \$500,000 that had been placed in the General Fund was used to pay for routine operating expenses. Renewal of this debt shows that short term expenses were financed by this Bond Anticipation Note. This is a violation of Ohio Rev. Code Section 133.22 (A)(1)(a) which requires the bond to have one purpose and not to be used for general operating expenses.

Due to the financial condition discussed in Note 26 to the basic financial statements, this adjustment has not been posted by the County to its cash basis financial statements. This item has been posted to the County's basic financial statements as a payable in the General Purpose Bond Retirement Fund (413) and an interfund payable from the General Fund to the General Purpose Bond Retirement Fund (413). On September 19, 2007, the County paid \$25,000 against the \$500,000 note and refinanced the remaining \$475,000 into a new note.

As a result, a Finding for Adjustment is hereby issued against the General Fund in the amount of \$475,000 and in favor of the General Purpose Bond Fund (Fund 413).

We recommend the Scioto County Commissioners not issue Bond Anticipation Notes to finance short term cash shortages. In addition, we also recommend that the Bond Anticipation Notes be monitored to ensure they are used only for the purposes stated in the authorizing legislation.

**Officials' Response**

The recommendation is accepted as stated. Recommended transfer to General Fund when funds are available.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Auditor of State Bulletin 97-003 states that inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- 1) Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- 2) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- 3) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- 4) Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
  - a. A specific statement that the transaction is an advance of cash, and
  - b. An indication of the money (fund) from which it is expected that repayment will be made.

The following funds were noted to have negative fund balances at December 31, 2006:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
December 31, 2006	Fund 250 – Sheriff’s Office Jail Operations Fund	(\$1,540,315)
December 31, 2006	Fund 349 – Mediation Grant	(\$8,964)

Fund 250 was established to separately track jail operations. However, for legal and reporting purposes, it is included with the General Fund. Combining Fund 250 with the General Fund on a cash basis results in a negative fund balance of (\$1,169,578.34) at December 31, 2006.

We recommend the County Auditor monitor to ensure that money from one fund is not used to cover the expenses of another fund. We further recommend the use of cash advances to cover negative fund balances for temporary cash flow problems.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002 (Continued)**

**Officials' Response**

We did not receive a response from Officials for this finding.

**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

On March 9, 2006, the Board of Scioto County Commissioners approved establishment of Fund 250 - Scioto County Sheriff's Office and Jail Fund in order to separately track revenues and expenses for the Sheriff's office since they moved into the new jail facility. Budgeted revenues and appropriations were set at \$2,983,060. Actual revenues for 2006 were \$1,760,453 or 59% of budgeted revenues.

A reduced amended certificate should have been obtained and appropriations reduced when it was evident that budgeted revenue was overstated. As documented in Finding Number 2006-002, Fund 250 had a negative cash balance of (\$1,540,315) at December 31, 2006. Fund 250 is combined with the General Fund for legal and reporting purposes. These funds had a combined negative fund balance of (\$1,169,578.34) at December 31, 2006.

We recommend a reduced amended certificate be obtained when the revenue to be collected will be less than the amount in the official certificate of estimated resources and the amount of the deficiency will reduce available resources below the current level of appropriation.

**Officials' Response**

Fund 250 was established due to the leasing of beds which we felt should be a special revenue fund, just as we had established a special revenue fund for the juvenile detention center after much discussion with the Auditor of State's Office. The revenues will be monitored more closely in the future.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Budgetary expenditures exceeded appropriations at the legal level of control in nineteen line items at April 30, 2006, thirty-one line items at July 31, 2006, sixty line items at September 30, 2006 and fifteen line items at December 31, 2006. The line items with variances greater than \$4,000 are shown below.

Date	Fund	Appropriations	Budgetary Expenditures	Variance
April 30, 2006	349-1245-5101	\$23,792	\$40,573	(\$16,781)
July 31, 2006	101-2301-5303	\$337,643	\$350,092	(\$12,449)
July 31, 2006	214-1945-5140	\$0.00	\$4,064	(\$4,064)
July 31, 2006	316-1945-5130	\$13,107	\$18,042	(\$4,935)
September 30, 2006	101-1245-5101	\$267,285	\$280,536	(\$13,251)
September 30, 2006	101-1946-5101	\$72,100	\$84,173	(\$12,073)
September 30, 2006	207-1712-5101	\$61,863	\$67,012	(\$5,149)
September 30, 2006	209-1401-5130	\$3,180	\$7,928	(\$4,748)
September 30, 2006	223-1953-5120	\$65,000	\$73,110	(\$8,110)
September 30, 2006	223-1953-5130	\$83,700	\$109,370	(\$25,670)
September 30, 2006	228-1880-5130	\$77,000	\$104,064	(\$27,064)
September 30, 2006	250-1965-5101	\$196,500	\$212,590	(\$16,090)
September 30, 2006	250-1969-5101	\$383,903	\$424,945	(\$41,042)
September 30, 2006	316-1945-5120	\$6,448	\$11,751	(\$5,303)
September 30, 2006	316-1945-5130	\$13,107	\$22,976	(\$9,869)
September 30, 2006	349-1245-5101	\$56,281	\$70,150	(\$13,869)
September 30, 2006	502-1301-5101	\$44,800	\$64,000	(\$19,200)
December 31, 2006	250-1965-4101	\$205,517	\$313,837	(\$108,320)
December 31, 2006	250-1965-5120	\$33,182	\$39,462	(\$6,280)
December 31, 2006	250-1969-5101	\$518,841	\$637,107	(\$118,266)
December 31, 2006	250-1969-5120	\$58,500	\$94,514	(\$36,014)
December 31, 2006	250-1969-5130	\$156,000	\$196,448	(\$40,448)
December 31, 2006	349-1245-5101	\$78,018	\$86,982	(\$8,964)

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)

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

FINDING NUMBER 2006-004 (Continued)

Budgetary expenditures exceeded appropriations at the fund level at December 31, 2006 as follows:

Date	Fund	Appropriations	Budgetary Expenditures	Variance
December 31, 2006	250	\$2,983,060	\$3,300,768	(\$317,708)
December 31, 2006	349	\$97,084	\$106,048	(\$8,964)

Fund 250 was established to separately track jail operations. However, for legal and reporting purposes, it is included with the General Fund. Combining Fund 250 with the General Fund on a cash basis resulted in budgetary expenditures in the total amount of \$18,327,532 exceeding total appropriations of \$18,096,298 by \$231,234 at December 31, 2006.

We recommend the County Auditor monitor total expenditures at the legal level of control for each fund throughout the year to ensure that expenditures do not exceed appropriations.

**Officials' Response**

The majority of the listed items are related to employee compensation (salaries, PERS, health insurance, worker's compensation, etc.). These items are transferred from each department within the County by the County Auditor's Office when the payments are due. The process will be monitored more closely in the future.

FINDING NUMBER 2006-005

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the County.



**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**OMB CIRCULAR A -133 § .505**

**DECEMBER 31, 2006**

**(Continued)**

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

**FINDING NUMBER 2006-005 (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During testing it was noted that 47% of transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend that the Scioto County Auditor certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, “then and now” certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Scioto County Auditor has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

**Officials' Response**

The majority of these transactions were involved with the construction of the jail, for which the contract had been entered into in 2004. Purchase orders are entered into the system before being signed and returned to the department. If there are not sufficient appropriations, they are returned to the department advising them of this. If an invoice is received with the invoice dated before the purchase order was issued, the department is required to attach a moral letter. These invoices are then submitted to the Commissioners separate from the docket. The process will be monitored more closely in the future.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-006**

**Significant Deficiency**

A formal policy should be enacted by the Board of County Commissioners for maintaining a capital asset listing. This policy should include, but not be limited to, the following: capitalization threshold, categories or classes of assets, method of cost determination, method of depreciation, useful lives and methods of acquisition or disposal. Further, the policy should establish procedures relating to the recording of infrastructure including the following items: determination of values / method of capitalization, useful lives, items to be included in infrastructure, conditions by each type of asset, and a documentation to indicate at what point an asset has had an improvement that increases its efficiency to the point the old asset value needs removed and the new value recorded (such as total repaving and not just patching a road).

The County has a capital asset policy on file however it has not been updated for the requirements of GASB Statement Number 34.

Without updating their policy, this could result in the County not following the requirements of GASB Statement Number 34 for the reporting of capital assets. Further, this could result in materially misstated financial statements.

We recommend the Board of County Commissioners adopt a formal policy for maintaining a capital asset listing which incorporates the requirements of GASB Statement Number 34. This policy should include, but not be limited to, the following: capitalization threshold, categories or classes of assets, method of cost determination, method of depreciation, useful lives and methods of acquisition or disposal. Further, the policy should establish procedures relating to the recording of infrastructure including the following items: determination of values / method of capitalization, useful lives, items to be included in infrastructure, conditions by each type of asset, and a documentation to indicate at what point an asset has had an improvement that increases its efficiency to the point the old asset value needs removed and the new value recorded (such as total repaving and not just patching a road).

**Officials' Response**

The County Auditor and Board of County Commissioners will work together to adopt and implement a policy consistent with the requirements of GASB Statement Number 34.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-007**

**Material Weakness**

The County Auditor's Office relies on the departments to complete asset addition and disposal forms when capital assets are purchased or disposed. The information is then entered into the County's capital asset management system. A search for unrecorded capital asset additions and disposals for 2006 revealed several unrecorded capital asset additions and disposals. Our testing revealed several assets for which there were no addition or disposal forms and thus the items were not properly added to or removed from the County's capital asset listing. Such errors could result in the financial statements being materially misstated due to errors in capital asset amounts.

In addition, during our testing of capital assets for the Airport Component Unit, we identified unrecorded additions to capital assets in the amount of \$370,539.

The unrecorded capital asset additions resulted in adjustments being proposed to the Basic Financial Statements to record unrecorded capital asset additions.

We recommend the County review the invoices at the time of payment for potential purchases of capital assets. We further recommend the County review the Commissioners minutes for potential disposals from the sale of assets and potential additions from approvals to purchase new equipment or enter into contracts or leases meeting capitalization criteria. Any potential capital asset purchase or disposal for which no addition or disposal form is completed should result in a inquiry with the appropriate department. These procedures should help ensure the completeness and accuracy of the capital asset listing. The County should also review the Airport for unrecorded capital assets and update the listing to ensure all Airport assets are included on the asset listing.

**Officials' Response**

Asset forms have been distributed to each office for additions and deletions. A form is also given to each office at the end of each year asking them to list any additions or deletions to their capital assets. The expense line items for assets over \$5,000 are also reviewed. This practice will be continued and every effort will be made to pick up and delete assets as needed.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-008**

**Material Weakness**

A detailed listing of capital assets including annual additions and deletions should be maintained and provided to individuals responsible for the compilation of the County's basic financial statements. This listing should include all assets owned or leased by the County in accordance with the County's capital asset capitalization policy.

During our testing of capital assets during the 2006 audit, there were several errors noted in the Maximus Report / County's Capital Asset Reports. Many of these errors were noted by Local Government Services which compiles the County's Basic Financial Statements and were adjusted according to the amount recorded for capital assets. These errors included the following types of items:

- Leases not included in the capital asset reports
- Infrastructure not included in asset reports
- Error in depreciation expense as a result of item having no useful life in asset report
- Unrecorded additions and disposals
- Differences in amount recorded for cost versus actual cost
- Voting machines not included in asset reports

We identified the following total differences as of December 31, 2006:

- Difference in Gross Business-Type Activities Capital Assets in the amount of \$45,738.56 (Unrecorded Amount)
- Difference in Business-Type Activities Accumulated Depreciation in the amount of (\$11,026.07) (Overstated Amount)
- Difference in Gross Government-Type Activities Capital Assets in the amount of \$3,816,841.64 (Unrecorded Amount)
- Difference in Government-Type Activities Accumulated Depreciation in the amount of \$158,492.41 (Unrecorded Amount)

This could result in future difficulties in calculating the Capital Asset values and therefore should be reviewed for correction to the County's Capital Asset System. In addition, we recommend the County annually perform a detailed review of capital assets to properly record additions and deletions to the capital asset listing.

**Officials' Response**

The County Auditor's Office works with the Auditor of State's Local Government Services division to update the list of capital assets, and will continue to work toward producing an updated and accurate list of the County's capital assets.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-009**

**Material Weakness**

Sound financial reporting is the responsibility of the County Auditor and Board of County Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Governmental activities construction in progress in the amount of \$1,658,969 was not recorded.
- The Jail Construction Fund was improperly classified as a capital projects fund instead of a debt service fund.
- Scioto County Airport Authority component unit capital assets in the amount of \$370,539 were not recorded.
- STAR Inc. expenditures and operating grants, contributions and interest were overstated by \$23,366 as a result of a difference noted in the in-kind contribution amount.
- Deferred revenues in the amount of \$405,751 were improperly classified as due to other governments in the Public Assistance Major Special Revenue Fund.
- Original budgeted revenue amounts were understated in the MRDD Major Special Revenue Fund by \$476,749 for intergovernmental revenues and \$45,051 for charges for services.
- Intergovernmental receivables were not recorded in the following:

Fund / Opinion Unit	Amount
Nonmajor Governmental Funds	\$1,026,441
MRDD Fund	\$239,819
Enterprise Fund	\$742,500
Agency Funds	\$169,141

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-009 (Continued)**

- Payables were not recorded in the following:

Fund / Opinion Unit	Amount
General Fund	\$75,412
Nonmajor Governmental Funds	\$234,536
MRDD Fund	\$239,793

To ensure the County's financial statements and notes to the statements are complete and accurate, the County should adopt policies and procedures, including a final review of the statements and notes by the County Auditor and Board of County Commissioners, to identify and correct errors and omissions.

**Officials' Response**

The Auditor of State's Local Government Services division has made the necessary adjustments to the financial statements.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

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

**FINDING NUMBER 2006-010**

**Material Weakness**

The County's basic financial statements have been prepared assuming the County will continue as a going concern.

During 2006, the County experienced the following factors and conditions which revealed severe financial difficulty which raises substantial doubt about its ability to continue as a going concern:

- During 2006, the County established a new fund for the Sheriff's Office and Jail Operations (250 Fund). The purpose of this fund was to monitor the expenses of the new jail. Throughout the year the fund reflected a consistent negative fund balance after it was created which resulted in the General Fund making several transfers totaling \$1,562,000 to the 250 Fund which despite the amount transferred from the General Fund had an ending cash basis deficit balance at December 31, 2006 of \$1,540,315. The jail was anticipated to be self sufficient by obtaining contracts with neighboring counties. Contracts sufficient to cover costs have not been obtained to prevent further negative trends in the financial condition of this fund. In 2007, the County General Fund continues to transfer funds to the Sheriff's Office and Jail Operations Funds.
- For GAAP reporting purposes, the 250 Fund was combined with the General Fund because the activity has been reported there for several years and the General Fund supports the 250 Fund. As of December 13, 2007 the cash basis unencumbered balances of the General Fund and Sheriff's Office and Jail Operations Fund (250) was a deficit 2,627,759.
- Further, in the prior audit period, the County issued a Various Purpose Bond Anticipation Note in the amount of \$500,000 which was used to pay for routine operating expenses. \$25,000 of this was paid off in 2007. A finding for adjustment has been issued in the amount of \$475,000 against the General Fund in favor of the General Purpose Bond Fund (Fund 413). (See 2006-001 for Finding for Adjustment)
- The County General Fund during 2006 also transferred \$665,212 to the Juvenile Detention Center Fund (223). As of December 13, 2007 the cash basis unencumbered balance in this fund is a deficit \$277,762.

In addition, sound internal control policies require management and the Board of County Commissioners to monitor the financial activity and condition of the County. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Board of County Commissioners. The Board of County Commissioners should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries of management about the reasons. Additionally, the Board of County Commissioners should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Board of County Commissioners should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance and to avoid negative financial trends.

## SCIOTO COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS OMB CIRCULAR A -133 § .505 DECEMBER 31, 2006 (Continued)

#### 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

##### FINDING NUMBER 2006-010 (Continued)

Although financial reports were approved throughout the year by the Board of County Commissioners, this information should be used to monitor the financial activity of the County. For each regular Board of Commissioner's meeting, the County Auditor and Treasurer should provide detailed budget versus actual activity statements, financial statements, lists of investments, cash balances and checks paid.

The Board of County Commissioners should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage and monitor the County's financial position. This information can help answer questions such as the following:

##### Inquiries Relevant to Overall County Operations:

- \* Are current receipts sufficient to cover expenditures?
- \* Are expenditures in line with prior year costs?
- \* If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- \* Are anticipated receipts being timely received?
- \* Is the County maximizing its return on invested cash balances?
- \* Is the County able to achieve the financial goals as set by the original or amended budgets?
- \* Are expenditures being spent in accordance with the approved appropriations?
- \* Is there evidence the County should amend their appropriations and / or estimated resources?

Based on the current financial conditions, the County may be unable to maintain the current program and staffing levels. Without taking steps to alleviate the severe financial conditions, the County could be placed in fiscal watch or emergency.

Chapter 118 of the Ohio Revised Code governs the actions that the state may take when a local government is experiencing financial trouble. Depending on the severity of the problem, the Auditor of State may declare the government to be in fiscal watch or emergency. If a government is placed in fiscal watch, the Auditor of State's Office provides free assistance to help the government regain its financial footing. If a fiscal emergency is declared, a commission is appointed to oversee the financial activity of the government until the emergency is terminated. The determination of whether a local government should be declared in fiscal emergency is based on an analysis performed by the Auditor of State's Office.

The Auditor of State's Local Government Services Division is performing a financial forecast for the Sheriff's Office and Jail Operations Fund (250) in which the preliminary results are not favorable indicating the County could be placed in fiscal watch or fiscal emergency.



**SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)**

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

**FINDING NUMBER 2006-010 (Continued)**

In order to effectively monitor the financial activity and condition of the County, we recommend the Board of County Commissioners perform the following actions:

- The Board of County Commissioners should review and accept/approve the monthly financial information provided by the County Auditor and Treasurer. The review of this information should be noted in the minutes of the meetings of the Board of County Commissioners.
- The Board of County Commissioners should take a more active role in monitoring the financial activity of the County.
- Staffing and program levels should be reviewed to eliminate unnecessary additions in order to balance the budget.
- The Board of County Commissioners should evaluate the need for every expenditure of funds to restrict spending.
- The County should begin preparing a financial recovery plan which outlines the measures to be taken to eliminate the severe financial conditions.

**Officials' Response**

All recommendations will be implemented immediately. The financial recovery plan in cooperation with the Auditor of State's Office is ongoing.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2006-011
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-C-04-068-1 and B-F-05-068-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance Citation – Cash Management**

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

Supporting documentation was not maintained for each draw down request. In addition, the original grant period along with approved extensions often extended over two or three audit periods. As a result, it was difficult to match drawn down requests to specific disbursements, especially in the General Administration line item. As discussed in Finding Number 2006-015 regarding reporting, amounts drawn down for grant number B-C-04-068-1 and grant number B-F-05-68-1 exceeded actual disbursements. Further, review of the Expense Audit Trail Reports for Fund 306 (State Community Development) for 2006 and 2007 revealed no indication that the excess drawn down in the total amount of \$15,822.96 for grant number B-F-05-068-1 has been expended.

We recommend Scioto County develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend that documentation be maintained with each draw down request to support the amounts required.

**Officials' Response**

Scioto County has implemented measures to comply with the Fifteen Day Rule and to maintain documentation.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2006-012
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-C-04-068-1, B-F-04-068-1 and B-F-05-068-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance Citation – Davis Bacon Act**

According to 40 U.S.C. Section 3141-3148, when required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL. A contractor or subcontractor is required to submit to the non-federal entity weekly, for each week in which a contract work is performed, a copy of the payroll and a statement of compliance.

Scioto County did not maintain sufficient documentation that contractors paid employees at least the prevailing wage rates on all construction contracts in excess of \$2,000 for grant B-F-05-068-1 for the Morgan Township Senior Center project and Parks and Recreation project. This could result in noncompliance with Davis-Bacon Act requirements and contractors and subcontractors not being prevailing wage rates.

We recommend Scioto County maintain certified payrolls for all construction projects in excess of \$2,000 financed with Federal Financial Assistance.

**Officials' Response**

Scioto County has since January 2006 advertised bids and supervised all projects. A staff person is assigned responsibility for the Davis Bacon Act.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2006-013
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-C-04-068-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Questioned Cost and Material Weakness – Activities Allowed or Unallowed**

Section 105(a) of the Housing and Community Development Act of 1974 lists the activities eligible under the CDBG State Program (State Administered Small Cities Program) which include:

- a) Planning activities;
- b) Administrative costs;
- c) Acquisition, construction, reconstruction, rehabilitation, or installation of commercial or industrial buildings.

The grant agreement between the State of Ohio, Department of Development, and Scioto County for Grant Number B-C-04-068-1 included a program budget of \$50,000 for Implementation Costs and \$52,000 for General Administration Costs to be paid from Community Development Block Grant (CDBG) funds.

Scioto County completed draw down requests and received CDBG funds in the amount of \$50,000 for Implementation Costs and \$52,000 for General Administration Costs. However, actual expenditures for Implementation Costs and General Administration Costs for this grant were \$30,631.30 and \$38,299.66, respectively. The remaining monies received for Implementation Costs and General Administration Costs in the amounts of \$19,368.70 and \$13,700.34, respectively, were spent for acquisition and new construction activities.

Although Acquisition and New Construction were not allowed activities for Grant Number B-C-04-068-1, these expenditures in the amount of \$33,069.04 have been included on the federal schedule and represent questioned costs for this grant.

We recommend Scioto County ensure that all expenditures made from federal funds are for an allowable purpose in accordance with the grant guidelines.

**Officials' Response**

Scioto County has since January 2006 employed a consultant to manage the Community Development Block Grants to ensure compliance.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2006-014
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-C-04-068-1 and B-F-05-068-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance Citation and Material Weakness – Reporting**

All Community Development Block Grant Program funds are required to be reported to the State of Ohio, Department of Development. There are two required reports: Status Reports which are completed every six months and the Final Performance Report. In addition, a Request for Payment and Status of Funds report is used by the local governments to make draw downs from the Ohio Department of Development (*OHCP Financial Management Rules and Regulations, A.(3)(k) and Attachment 11*).

Scioto County did not accurately complete the Final Performance Report for grant number B-C-04-068-1 and grant number B-F-05-068-1 as follows:

Grant #	Activity	Actual Expenditures	Reported Expenditures	Variance
B-C-04-068-1	Implementation	\$30,631.30	\$50,000	(\$19,368.70)
B-C-04-068-1	General Administration	\$38,299.66	\$52,000	(\$13,700.34)
B-F-05-068-1	Water & Sewer Facilities	\$65,772.64	\$66,000	(\$227.36)
B-F-05-068-1	Morgan Township Senior Center	\$21,379.40	\$22,000	(\$620.60)
B-F-05-068-1	Public Services	\$30,000.00	\$40,000	(\$10,000.00)
B-F-05-068-1	Parks & Recreation	\$24,500.00	\$25,000	(\$500.00)
B-F-05-068-1	Fair Housing Program	\$11,825.00	\$16,300	(\$4,475.00)

As discussed in Finding Number 2006-014 regarding Activities Allowed or Unallowed, the remaining monies received for Implementation Costs and General Administration Costs in the amounts of \$19,368.70 and \$13,700.34, respectively, were spent for acquisition and new construction activities which resulted in questioned costs in the total amount of \$33,069.04 for grant number B-C-04-068-1.

Further, as discussed in Finding Number 2006-012, review of the Expense Audit Trail Reports for Fund 306 for 2006 and 2007 revealed no indication that the excess drawn down in the total amount of \$15,822.96 for grant number B-F-05-068-1 has been expended.

We recommend that the County prepare and submit the required reports accurately. We further recommend that documentation be maintained to support the reported amounts. In addition, Scioto County should consult with the Ohio Department of Development regarding repayment of amounts spent on unallowable activities and amounts not expended.

**SCIOTO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2006**  
**(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2006-014 (Continued)
<b>CFDA Title and Number</b>	Community Development Block Grants/State's Program CFDA # 14.228
<b>Federal Award Number / Year</b>	B-C-04-068-1 and B-F-05-068-1
<b>Federal Agency</b>	United States Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Officials' Response**

Reorganization of the administration of the Community Development Block Grant program has addressed these recommendations.

**SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
DECEMBER 31, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	The recommendation is accepted as stated. Recommended transfer to General Fund when funds are available.	9/01/08	Tom Resier, County Commissioner
2006-002	We did not receive a response from Officials for this finding.		
2006-003	Fund 250 was established due to the leasing of beds which we felt should be a special revenue fund, just as we had established a special revenue fund for the juvenile detention center after much discussion with the Auditor of State's Office. The revenues will be monitored more closely in the future.	1/01/08	David Green, County Auditor
2006-004	The majority of the listed items are related to employee compensation (salaries, PERS, health insurance, worker's compensation, etc.). These items are transferred from each department within the County by the County Auditor's Office when the payments are due. The process will be monitored more closely in the future.	1/01/08	David Green, County Auditor
2006-005	The majority of these transactions were involved with the construction of the jail, for which the contract had been entered into in 2004. Purchase orders are entered into the system before being signed and returned to the department. If there are not sufficient appropriations, they are returned to the department advising them of this. If an invoice is received with the invoice dated before the purchase order was issued, the department is required to attach a moral letter. These invoices are then submitted to the Commissioners separate from the docket. The process will be monitored more closely in the future.	1/01/08	David Green, County Auditor
2006-006	The County Auditor and Board of County Commissioners will work together to adopt and implement a policy consistent with the requirements of GASB Statement Number 34.	12/31/08	David Green, County Auditor and Board of County Commissioners
2006-007	Asset forms have been distributed to each office for additions and deletions. A form is also given to each office at the end of each year asking them to list any additions or deletions to their capital assets. The expense line items for assets over \$5,000 are also reviewed. This practice will be continued and every effort will be made to pick up and delete assets as needed.	1/01/08	David Green, County Auditor

**SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
DECEMBER 31, 2006  
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-008	The County Auditor's Office works with the Auditor of State's Local Government Services division to update the list of capital assets, and will continue to work toward producing an updated and accurate list of the County's capital assets.	1/01/08	David Green, County Auditor
2006-009	The Auditor of State's Local Government Services division has made the necessary adjustments to the financial statements.	1/01/08	David Green, County Auditor
2006-010	All recommendations will be implemented immediately. The financial recovery plan in cooperation with the Auditor of State's Office is ongoing.	3/30/08	Tom Reiser, County Commissioner
2006-011	Scioto County has implemented measures to comply with the Fifteen Day Rule and to maintain documentation.	1/01/08	Tom Reiser, County Commissioner
2006-012	Scioto County has since January 2006 advertised bids and supervised all projects. A staff person is assigned responsibility for the Davis Bacon Act.	1/01/08	Tom Reiser, County Commissioner
2006-013	Scioto County has since January 2006 employed a consultant to manage the Community Development Block Grants to ensure compliance.	1/01/08	Tom Reiser, County Commissioner
2006-014	Reorganization of the administration of the Community Development Block Grant program has addressed these recommendations.	1/01/08	Tom Reiser, County Commissioner





**Mary Taylor, CPA**  
Auditor of State

**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  
JANUARY 15, 2008**