



Dave Yost • Auditor of State

SCIOTO COUNTY
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Dave Yost • 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2011, 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. The Auditor of State served during the year ended December 31, 2011 as Scioto County's financial supervisor under Ohio Rev. Code §118.05(G). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit Scioto County because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, Scioto County implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which resulted in restatements to January 1, 2011 balances. Also, as of January 1, 2011, the County restated its governmental activities' depreciable capital assets to correct errors in the capital assets records and to change the estimated useful lives of certain capital assets.

As discussed in Note 26 to the financial statements, the County has suffered recurring losses from operations and has a net asset deficiency. Note 26 describes Management's plans regarding these matters. In addition, on August 19, 2009 the Auditor of State determined a fiscal emergency existed, and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Rev. Code. 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 September 11, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Federal Awards Expenditure Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 11, 2012

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Scioto County's (the County) discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

The County's total net assets increased \$3,961,200 during 2011. Net assets of governmental activities increased \$3,518,311. Net assets of the business-type activity increased \$442,889.

General revenues of governmental activities accounted for \$19,196,140. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$32,948,929.

The Sewer Enterprise Fund reflected operating income of \$732,089.

The County had \$48,626,758 in expenses related to governmental activities; \$32,948,929 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily grants and entitlements, property taxes and sales taxes) of \$19,196,140 were more than adequate to provide for these programs. The County had \$3,016,575 in expenses related to its business-type activity; all of which were offset by program specific charges for services and sales 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 the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column.

REPORTING THE COUNTY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

Business-Type Activity – This activity includes fees for sewer services that are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

SCIOTO COUNTY, OHIO
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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 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Assets						
Current and						
Other Assets	\$34,603,262	\$32,469,502	\$3,206,133	\$3,044,843	\$37,809,395	\$35,514,345
Investment in						
Joint Venture	215,780	227,591	0	0	215,780	227,591
Capital Assets,						
Net of Depreciation	83,836,859	82,372,745	17,974,224	17,587,327	101,811,083	99,960,072
Total Assets	<u>118,655,901</u>	<u>115,069,838</u>	<u>21,180,357</u>	<u>20,632,170</u>	<u>139,836,258</u>	<u>135,702,008</u>
Liabilities						
Current and Other						
Liabilities	9,955,059	8,626,371	296,282	250,813	10,251,341	8,877,184
Long-Term Liabilities:						
Due Within						
One Year	2,097,336	2,497,810	380,894	383,845	2,478,230	2,881,655
Due in More						
Than One Year	11,283,495	12,143,957	7,646,599	7,583,819	18,930,094	19,727,776
Total Liabilities	<u>23,335,890</u>	<u>23,268,138</u>	<u>8,323,775</u>	<u>8,218,477</u>	<u>31,659,665</u>	<u>31,486,615</u>
Net Assets						
Invested in						
Capital Assets,						
Net of Related Debt	73,288,791	71,943,449	9,983,652	9,670,390	83,272,443	81,613,839
Restricted for:						
Debt Service	260,320	390,012	0	0	260,320	390,012
Capital Projects	1,045,530	714,320	0	0	1,045,530	714,320
Other Purposes	19,574,594	19,285,789	0	0	19,574,594	19,285,789
Unrestricted (Deficit)	1,150,776	(531,870)	2,872,930	2,743,303	4,023,706	2,211,433
Total Net Assets	<u>\$95,320,011</u>	<u>\$91,801,700</u>	<u>\$12,856,582</u>	<u>\$12,413,693</u>	<u>\$108,176,593</u>	<u>\$104,215,393</u>

Current and other assets of the County's governmental activities increased \$2,133,760. The increase was mainly due to an increase of \$846,926 in cash and cash equivalents and an increase in due from other governments of \$1,082,644. The increase in cash and cash equivalents was primarily related to an increase in collections for sales tax and charges for services related to the seizure of assets in criminal cases. The increase in due from other governments was primarily due to an increase in State funding for Children Services and grants from the Federal Emergency Management Agency to fund road repairs from the March 2011 flooding. Capital assets, net of depreciation increased \$1,851,011 primarily due to the addition of various infrastructure assets in excess of current year depreciation.

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Total liabilities of the County's governmental activities increased \$67,752. The decrease in long-term liabilities was due to the debt service payments on the general obligation bonds. This was offset by an increase in current and other liabilities which resulted from an increase in contracts payable due to the Ohio River Road Project and the Brady Creek Bridge Project.

There was an increase in invested in capital assets, net of related debt, for governmental activities of \$1,345,342 primarily due to the addition of various infrastructure assets and the retirement of debt related to capital assets. Total governmental activities net assets increased \$3,518,311 due to revenues exceeding non-capitalized expenses even though expenses increased for the year.

There was an increase in invested in capital assets, net of related debt, for business-type activity of \$313,262 primarily due to the addition of various infrastructure assets and a mower, along with the retirement of debt related to capital assets.

The net assets of the County's business-type activity increased \$442,889 due to revenues exceeding non-capitalized expenses even though expenses increased for the year.

Table 2 shows the changes in net assets for the years ended December 31, 2011, and 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services and Sales	\$7,249,948	\$6,875,556	\$3,389,237	\$3,256,515	\$10,639,185	\$10,132,071
Operating Grants and Contributions	23,434,636	24,627,273	0	0	23,434,636	24,627,273
Capital Grants and Contributions	2,264,345	2,763,540	68,258	305,442	2,332,603	3,068,982
Total Program Revenues	32,948,929	34,266,369	3,457,495	3,561,957	36,406,424	37,828,326
General Revenues:						
Property Taxes	5,944,162	5,890,900	0	0	5,944,162	5,890,900
Other Local Taxes	357,079	310,015	0	0	357,079	310,015
Sales Tax	10,397,969	10,054,762	0	0	10,397,969	10,054,762
Revenue in Lieu of Taxes	20,974	19,792	0	0	20,974	19,792
Grants and Entitlements not Restricted to Specific Programs	1,353,462	1,553,454	0	0	1,353,462	1,553,454
Interest	7,377	10,026	0	0	7,377	10,026
Miscellaneous	1,115,117	916,397	1,969	28,871	1,117,086	945,268
Total General Revenues	19,196,140	18,755,346	1,969	28,871	19,198,109	18,784,217
Total Revenues	\$52,145,069	\$53,021,715	\$3,459,464	\$3,590,828	\$55,604,533	\$56,612,543

(Continued)

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2
Changes in Net Assets
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Program Expenses						
General Government:						
Legislative and Executive	\$7,749,738	\$7,433,426	\$0	\$0	\$7,749,738	\$7,433,426
Judicial	2,514,758	2,214,279	0	0	2,514,758	2,214,279
Public Safety:						
Sheriff	5,356,439	4,994,315	0	0	5,356,439	4,994,315
Other	2,013,306	2,078,675	0	0	2,013,306	2,078,675
Public Works	5,704,498	4,332,025	0	0	5,704,498	4,332,025
Health	10,362,796	9,409,293	0	0	10,362,796	9,409,293
Human Services	11,528,960	12,519,381	0	0	11,528,960	12,519,381
Conservation and Recreation	421,404	655,565	0	0	421,404	655,565
Economic Development and Assistance	1,465,690	712,439	0	0	1,465,690	712,439
Transportation	812,041	866,964	0	0	812,041	866,964
Interest and Fiscal Charges	697,128	812,375	0	0	697,128	812,375
Sewer	0	0	3,016,575	2,565,697	3,016,575	2,565,697
Total Expenses	<u>48,626,758</u>	<u>46,028,737</u>	<u>3,016,575</u>	<u>2,565,697</u>	<u>51,643,333</u>	<u>48,594,434</u>
Increase in Net Assets	3,518,311	6,992,978	442,889	1,025,131	3,961,200	8,018,109
Net Assets at Beginning of Year - Restated	<u>91,801,700</u>	<u>84,808,722</u>	<u>12,413,693</u>	<u>11,388,562</u>	<u>104,215,393</u>	<u>96,197,284</u>
Net Assets at End of Year	<u><u>\$95,320,011</u></u>	<u><u>\$91,801,700</u></u>	<u><u>\$12,856,582</u></u>	<u><u>\$12,413,693</u></u>	<u><u>\$108,176,593</u></u>	<u><u>\$104,215,393</u></u>

Governmental Activities

The County's direct charges to users of governmental services are \$7,249,948 of total governmental revenues for 2011. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, recording fees, sheriff contracts, transportation fees, fines and forfeitures related to judicial activity, housing fees for prisoners from other jurisdictions, and licenses and permits. These charges increased \$374,392 mostly due to a significant increase in forfeited assets from criminal cases.

Operating grants and contributions restricted to specific programs is the largest source of revenue for Scioto County. The major recipients of operating grants and contributions were the Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Funds. There was a significant decrease in operating grants and contributions due to a reduction of State monies for Public Assistance.

Sales tax collected by the County comprised \$10,397,969 of total governmental revenues for 2011, which was an increase of \$343,207 from 2010. Proceeds of the permissive sales tax are credited to the General Fund.

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Legislative and executive expenses increased \$316,312 primarily due to an increase in health insurance costs. Public works expenses increased \$1,372,473 compared to 2010 due to repairs to roads from the March 2011 flood which were not capitalized. Health programs (including the Board of Developmental Disabilities) made up \$10,362,796 of total expenses and increased \$953,503 compared to 2010. This increase was primarily due to increased services and an increase in health insurance costs. Human services (including public assistance and children services) programs accounted for \$11,528,960 of total expenses for governmental activities. Human services expenses decreased \$990,421 in 2011 due to a substantial reduction in services being offered, mostly by Public Assistance.

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

Business-Type Activity

The net assets for business-type activity increased \$442,889 during 2011, which was less than the \$1,025,131 increase during 2010. Although charges for services increased \$132,722, primarily due to an increase in rates for services to customers, expenses increased \$450,878 due to increases in several areas such as maintenance and repairs, utilities, and health insurance.

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 \$52,025,194 and expenditures of \$51,612,597.

The General Fund balance increased \$1,499,551 in 2011. This was due to revenues exceeding non-capitalized expenses even though expenses increased for the fiscal year.

The Public Assistance Fund balance decreased \$93,114, which was due to a significant decrease in State funding.

The Motor Vehicle Gas Tax Fund balance decreased \$469,176, which was due to repairs to roads from the March 2011 flood.

The Board of Developmental Disabilities Fund balance decreased \$1,283,160 in 2011 due to increased expenditures primarily related to an increase in services and an increase in health insurance costs.

The Children Services Fund revenues exceeded expenditures by \$121,186 due to an increase in State funding.

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Management's Discussion and Analysis
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The Sewer Fund reflects operating income of \$732,089 for 2011. 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. Charges for services increased \$132,722 primarily due to an increase in rates for services to customers. Operating expenses increased \$453,942 due to increases in several areas such as maintenance and repairs, utilities, and health insurance.

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 2011, the County amended its General Fund budget as needed. The most significant variance from original budget revenue amounts to the final budget revenue amounts was in intergovernmental revenue. This was the result of conservative estimates due to the uncertainty surrounding local government monies at the start of 2011. There were increases in actual revenue from final estimated revenue in almost all revenue accounts but the most significant was in sales tax revenue which was due to conservative estimates.

Total variance from original budget expenditure amounts to the final budget expenditure amounts was insignificant this year with small variances in various expenditures. The variance from final budget expenditure amounts to actual amounts decreased in several expenditures with the largest in judicial. The decrease in judicial was due to conservative budgeting and carefully monitoring expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The additions to depreciable assets of \$5,324,540 in the governmental activities were the result of the County adding land improvements, building improvements, equipment, vehicles, and roads and bridges during 2011.

The additions to depreciable assets of \$95,434, as well as \$688,641 in construction in progress, in the business-type activity were the result of the replacement of a filter bed wall at the Scaff Wastewater Treatment Plant, sewer line and tap installations, a mower, a copier, and construction on the Minford Sewer Line Extension project. See Note 10 of the notes to the basic financial statements for more detailed capital assets information.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
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Debt

At December 31, 2011, Scioto County had \$11,595,258 in long-term debt outstanding in governmental activities which included several bond issues, loans and capital leases. There were no new bond issues during 2011 for governmental activities. However, there were two new loans to acquire a tractor and an RTV to be used in the maintenance of Riverside Park. There were also capital leases for vehicles and copiers, and a ballot printing system for the Board of Elections. The amount of long-term debt in the business-type activity was \$7,963,109 which consisted of bond issues, loans through the Ohio Public Works Commission (OPWC) and the Ohio Water Development Authority (OWDA). During 2011, there were new loans issued through the OWDA. The County's long-term obligations also included compensated absences for governmental and business-type activities, as well as a liability for the Ohio Bureau of Workers' Compensation Retrospective Rating Program.

At December 31, 2011, the County had short-term debt in the amount of \$537,000 in bond anticipation notes.

See Notes 15, 16 and 17 of the notes to the basic financial statements for more detailed information.

CURRENT ISSUES

The Auditor of State declared Scioto County to be in fiscal emergency on August 19, 2009. Since that time, the Local Government Services division of the Auditor of State has been assisting the County in its fiscal recovery efforts. In accordance with Chapter 118 of the Ohio Revised Code, a seven member Financial Supervision and Planning Commission was established to ensure that the County develops and operates within the constraints of a workable fiscal recovery plan. The County's initial fiscal recovery plan was approved by the Financial Supervision and Planning Commission in April 2010. During 2011, on a cash basis, the County decreased its General Fund deficit by \$1,255,812. The plan called for reducing the County's General Fund deficit by \$250,000 in 2012, which the County had met by June 26, 2012.

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, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$13,292,622	\$1,008,806	\$14,301,428	\$160,839	\$164,814
Cash and Cash Equivalents in Segregated Accounts	112,382	240,050	352,432	0	0
Cash and Cash Equivalents with Escrow Agent	17,896	0	17,896	0	0
Cash and Cash Equivalents with Trustee	265,601	0	265,601	0	0
Materials and Supplies Inventory	277,525	6,986	284,511	1,529	0
Accounts Receivable	37,729	1,901,398	1,939,127	115,915	203
Prepaid Items	249,874	7,731	257,605	0	889
Sales Tax Receivable	2,744,770	0	2,744,770	0	0
Property Taxes Receivable	7,301,291	0	7,301,291	0	0
Revenue in Lieu of Taxes Receivable	20,214	0	20,214	0	0
Due from Other Governments	9,605,033	8,586	9,613,619	0	8,858
Loans Receivable	502,156	0	502,156	0	0
Deferred Charges	176,169	32,576	208,745	0	0
Investment in Joint Venture	215,780	0	215,780	0	0
Capital Assets:					
Land and Construction in Progress	1,576,086	2,454,871	4,030,957	0	365,737
Depreciable Capital Assets, Net	82,260,773	15,519,353	97,780,126	49,571	1,903,012
Total Assets	118,655,901	21,180,357	139,836,258	327,854	2,443,513
<u>Liabilities:</u>					
Accounts Payable	591,915	64,334	656,249	4,093	2,098
Contracts Payable	1,117,766	60,039	1,177,805	0	35,447
Accrued Wages Payable	134,784	0	134,784	39,002	0
Due to Other Governments	912,071	46,936	959,007	0	0
Accrued Interest Payable	47,735	111,888	159,623	0	0
Matured Compensated Absences Payable	55,401	0	55,401	0	0
Compensatory Time Payable	65,179	13,085	78,264	0	0
Retainage Payable	19,156	0	19,156	0	2,717
Deferred Revenue	6,474,052	0	6,474,052	0	0
Notes Payable	537,000	0	537,000	0	0
Long-Term Liabilities:					
Due Within One Year	2,097,336	380,894	2,478,230	0	0
Due in More Than One Year	11,283,495	7,646,599	18,930,094	0	0
Total Liabilities	23,335,890	8,323,775	31,659,665	43,095	40,262
<u>Net Assets:</u>					
Invested in Capital Assets, Net of Related Debt	73,288,791	9,983,652	83,272,443	49,571	2,266,032
Restricted for:					
Debt Service	260,320	0	260,320	0	0
Capital Projects	1,045,530	0	1,045,530	0	0
Public Safety	2,079,339	0	2,079,339	0	0
Human Services	4,646,723	0	4,646,723	0	0
Public Works	3,890,129	0	3,890,129	0	0
Health	5,860,856	0	5,860,856	0	0
Community and Economic Development	1,742,213	0	1,742,213	0	0
Transportation	128,325	0	128,325	0	0
Judicial	346,668	0	346,668	0	0
Other Purposes	880,341	0	880,341	0	0
Unrestricted	1,150,776	2,872,930	4,023,706	235,188	137,219
Total Net Assets	\$95,320,011	\$12,856,582	\$108,176,593	\$284,759	\$2,403,251

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2011

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
General Government:				
Legislative and Executive	\$7,749,738	\$2,061,583	\$36,361	\$0
Judicial	2,514,758	1,282,050	417,841	0
Public Safety:				
Sheriff	5,356,439	2,669,272	213,332	0
Other	2,013,306	347,337	975,223	0
Public Works	5,704,498	229,422	5,651,543	2,264,345
Health	10,362,796	108,482	4,803,085	0
Human Services	11,528,960	227,298	10,416,883	0
Conservation and Recreation	421,404	6,350	92,723	0
Economic Development and Assistance	1,465,690	69,547	354,485	0
Transportation	812,041	248,607	473,160	0
Interest and Fiscal Charges	697,128	0	0	0
<i>Total Governmental Activities</i>	48,626,758	7,249,948	23,434,636	2,264,345
<u>Business-Type Activity:</u>				
Sewer	3,016,575	3,389,237	0	68,258
<i>Total Primary Government</i>	\$51,643,333	\$10,639,185	\$23,434,636	\$2,332,603
<u>Component Units:</u>				
STAR, Inc.	\$947,079	\$781,874	\$163,550	\$0
Scioto County Airport Authority	146,475	98,504	2,772	98,704
<i>Total Component Unit Activities</i>	\$1,093,554	\$880,378	\$166,322	\$98,704

General Revenues:

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

Total General Revenues

Change in Net Assets

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

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority	
(\$5,651,794)	\$0	(\$5,651,794)	\$0	\$0	\$0
(814,867)	0	(814,867)	0	0	0
(2,473,835)	0	(2,473,835)	0	0	0
(690,746)	0	(690,746)	0	0	0
2,440,812	0	2,440,812	0	0	0
(5,451,229)	0	(5,451,229)	0	0	0
(884,779)	0	(884,779)	0	0	0
(322,331)	0	(322,331)	0	0	0
(1,041,658)	0	(1,041,658)	0	0	0
(90,274)	0	(90,274)	0	0	0
(697,128)	0	(697,128)	0	0	0
(15,677,829)	0	(15,677,829)	0	0	0
0	440,920	440,920	0	0	0
(15,677,829)	440,920	(15,236,909)	0	0	0
0	0	0	(1,655)	0	0
0	0	0	0	53,505	53,505
0	0	0	(1,655)	53,505	53,505
1,680,306	0	1,680,306	0	0	0
3,445,261	0	3,445,261	0	0	0
729,035	0	729,035	0	0	0
89,560	0	89,560	0	0	0
357,079	0	357,079	0	0	0
10,397,969	0	10,397,969	0	0	0
20,974	0	20,974	0	0	0
1,353,462	0	1,353,462	0	0	0
7,377	0	7,377	0	0	0
1,115,117	1,969	1,117,086	6,308	12,466	12,466
19,196,140	1,969	19,198,109	6,308	12,466	12,466
3,518,311	442,889	3,961,200	4,653	65,971	65,971
91,801,700	12,413,693	104,215,393	280,106	2,337,280	2,337,280
\$95,320,011	\$12,856,582	\$108,176,593	\$284,759	\$2,403,251	\$2,403,251

SCIOTO COUNTY, OHIO

Balance Sheet

Governmental Funds

December 31, 2011

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$365,022	\$945,077	\$1,204,893
Cash and Cash Equivalents in			
Segregated Accounts	59,556	12,073	0
Cash and Cash Equivalents with Trustee	0	0	0
Receivables:			
Sales Tax	2,744,770	0	0
Property Taxes	2,066,012	0	0
Accounts	10,966	0	684
Interfund	30,170	33,432	0
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	903,597	706,823	2,685,396
Prepaid Items	95,697	120,255	14,603
Materials and Supplies Inventory	15,195	18,257	242,328
Advances to Other Funds	22,714	43,213	204,600
Loans Receivable	0	0	0
Restricted Assets:			
Cash and Cash Equivalents with Escrow Agent	0	0	0
Equity in Pooled Cash and Cash Equivalents	150,319	0	0
<i>Total Assets</i>	<u>\$6,464,018</u>	<u>\$1,879,130</u>	<u>\$4,352,504</u>
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$225,409	\$53,138	\$53,974
Contracts Payable	0	0	90,132
Accrued Wages and Benefits Payable	19,940	32,956	54,035
Due to Other Governments	258,615	95,435	72,131
Interfund Payable	13,935	18,314	0
Retainage Payable	1,260	0	0
Retainage Payable from Restricted Assets	0	0	0
Accrued Interest Payable	2,375	0	0
Matured Compensated Absences Payable	0	0	13,800
Deferred Revenue	3,634,243	230,916	1,727,239
Notes Payable	162,000	0	0
Advances from Other Funds	547,359	70,987	0
<i>Total Liabilities</i>	<u>4,865,136</u>	<u>501,746</u>	<u>2,011,311</u>
 <u>Fund Balances:</u>			
Nonspendable	283,925	138,512	256,931
Restricted	0	1,238,872	2,084,262
Committed	0	0	0
Assigned	549,881	0	0
Unassigned (Deficit)	765,076	0	0
<i>Total Fund Balances</i>	<u>1,598,882</u>	<u>1,377,384</u>	<u>2,341,193</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,464,018</u>	<u>\$1,879,130</u>	<u>\$4,352,504</u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,760,088	\$1,192,772	\$5,674,451	\$13,142,303
0	0	40,753	112,382
0	0	265,601	265,601
0	0	0	2,744,770
4,231,306	896,270	107,703	7,301,291
1,334	0	24,745	37,729
0	0	18,314	81,916
14,722	3,692	1,800	20,214
1,901,418	1,082,526	2,325,273	9,605,033
11,833	3,879	3,607	249,874
0	500	1,245	277,525
213,133	0	390,000	873,660
0	0	502,156	502,156
0	0	17,896	17,896
0	0	0	150,319
<u>\$10,133,834</u>	<u>\$3,179,639</u>	<u>\$9,373,544</u>	<u>\$35,382,669</u>

\$74,183	\$108,710	\$76,501	\$591,915
0	0	1,027,634	1,117,766
0	16,819	11,034	134,784
298,339	27,918	159,633	912,071
0	0	49,667	81,916
0	0	0	1,260
0	0	17,896	17,896
0	0	5,222	7,597
41,102	0	499	55,401
5,462,986	1,699,070	964,164	13,718,618
0	0	375,000	537,000
0	0	255,314	873,660
<u>5,876,610</u>	<u>1,852,517</u>	<u>2,942,564</u>	<u>18,049,884</u>

11,833	4,379	4,852	700,432
4,245,391	1,322,743	6,151,972	15,043,240
0	0	304,592	304,592
0	0	10,594	560,475
0	0	(41,030)	724,046
<u>4,257,224</u>	<u>1,327,122</u>	<u>6,430,980</u>	<u>17,332,785</u>
<u>\$10,133,834</u>	<u>\$3,179,639</u>	<u>\$9,373,544</u>	<u>\$35,382,669</u>

SCIOTO COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Fund Balances \$17,332,785

*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	1,576,086	
Depreciable capital assets	127,263,736	
Accumulated depreciation	<u>(45,002,963)</u>	
Total capital assets		83,836,859

The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 215,780

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.

Sales tax	1,002,269	
Delinquent property taxes	1,304,535	
Charges for services	111,594	
Revenue in lieu of taxes	20,214	
Intergovernmental	<u>4,805,954</u>	
		7,244,566

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. 176,169

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (40,138)

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	(9,506,197)	
Loans payable	(29,032)	
Capital leases payable	(2,060,029)	
Compensated absences	(1,744,170)	
Accrued compensatory time payable	(65,179)	
Workers' compensation claims payable	<u>(41,403)</u>	
Total liabilities		<u>(13,446,010)</u>

Net Assets of Governmental Activities \$95,320,011

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, 2011

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Revenues:</u>			
Property Taxes	\$1,630,888	\$0	\$0
Other Local Taxes	357,079	0	0
Sales Tax	10,385,109	0	0
Revenue in Lieu of Taxes	158	0	0
Charges for Services	2,681,093	33,432	213,496
Licenses and Permits	29,629	0	0
Fines and Forfeitures	141,918	0	15,026
Intergovernmental	1,711,619	6,364,336	4,815,190
Interest	6,944	0	361
Rent	2,170	0	900
Contributions and Donations	0	0	0
Miscellaneous	92,497	286,057	108,800
Total Revenues	17,039,104	6,683,825	5,153,773
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	6,830,417	0	0
Judicial	2,088,475	0	0
Public Safety:			
Sheriff	3,654,234	0	0
Other	502,164	0	0
Public Works	0	0	3,046,950
Health	341,560	0	0
Human Services	390,457	6,943,490	0
Conservation and Recreation	165,067	0	0
Economic Development and Assistance	68,678	0	0
Transportation	0	0	0
Capital Outlay	180,805	0	2,550,902
Debt Service:			
Principal Retirement	210,290	43,105	1,225
Interest and Fiscal Charges	38,594	12,443	162
Total Expenditures	14,470,741	6,999,038	5,599,239
Excess of Revenues Over (Under) Expenditures	2,568,363	(315,213)	(445,466)
<u>Other Financing Sources (Uses):</u>			
Loan Proceeds	21,643	0	0
Inception of Capital Lease	280,452	0	0
Transfers In	1,166	222,099	0
Transfers Out	(1,372,073)	0	(23,710)
Total Other Financing Sources (Uses)	(1,068,812)	222,099	(23,710)
Net Change in Fund Balances	1,499,551	(93,114)	(469,176)
Fund Balances at Beginning of Year (Restated - See Note 3)	99,331	1,470,498	2,810,369
Fund Balances at End of Year	\$1,598,882	\$1,377,384	\$2,341,193

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,345,423	\$707,750	\$87,345	\$5,771,406
0	0	0	357,079
0	0	0	10,385,109
14,788	3,676	1,800	20,422
55,348	0	3,292,262	6,275,631
0	0	44,715	74,344
0	0	700,614	857,558
4,611,521	2,279,711	7,350,451	27,132,828
26	0	46	7,377
0	0	0	3,070
15,253	10,000	0	25,253
416,702	5,865	205,196	1,115,117
<u>8,459,061</u>	<u>3,007,002</u>	<u>11,682,429</u>	<u>52,025,194</u>
0	0	557,256	7,387,673
0	0	299,027	2,387,502
0	0	1,352,086	5,006,320
0	0	1,346,818	1,848,982
0	0	30,733	3,077,683
9,329,793	0	441,543	10,112,896
0	2,828,509	1,133,630	11,296,086
0	0	32	165,099
0	0	1,395,625	1,464,303
0	0	750,335	750,335
143,403	0	3,161,596	6,036,706
218,047	42,249	902,588	1,417,504
50,978	15,058	544,273	661,508
<u>9,742,221</u>	<u>2,885,816</u>	<u>11,915,542</u>	<u>51,612,597</u>
<u>(1,283,160)</u>	<u>121,186</u>	<u>(233,113)</u>	<u>412,597</u>
0	0	0	21,643
0	0	0	280,452
0	0	1,187,998	1,411,263
0	0	(15,480)	(1,411,263)
<u>0</u>	<u>0</u>	<u>1,172,518</u>	<u>302,095</u>
(1,283,160)	121,186	939,405	714,692
<u>5,540,384</u>	<u>1,205,936</u>	<u>5,491,575</u>	<u>16,618,093</u>
<u>\$4,257,224</u>	<u>\$1,327,122</u>	<u>\$6,430,980</u>	<u>\$17,332,785</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, 2011

Net Change in Fund Balances - Total Governmental Funds \$714,692

*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	5,324,540	
Depreciation expense	(3,563,775)	
Excess of capital outlay over depreciation expense		1,760,765

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		(296,651)
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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	172,756	
Sales tax	12,860	
Revenue in lieu of taxes	552	
Charges for services	39,345	
Intergovernmental	(105,638)	
Total revenues		119,875

The decrease in the County's investment interest of its joint venture is not reported in the governmental fund statements but is included in program expenses in the Statement of Activities.

(11,811)

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 loans		(21,643)
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Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(280,452)

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	15,717	
Bond principal payments	795,000	
Capital lease payments	606,787	
Total long-term debt repayments		1,417,504

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	202,421	
Increase in accrued compensatory time payable	(17,437)	
Increase in workers' compensation claims payable	(33,332)	
		151,652

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

Decrease in accrued interest	2,694	
Amortization of premium on general obligation bonds	205	
Amortization of bond issuance costs	(14,752)	
Amortization of loss on refundings	(23,767)	
		(35,620)

Change in Net Assets of Governmental Activities \$3,518,311

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, 2011

	<u>Budgeted Amounts</u>			<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<u>Revenues:</u>				
Property Taxes	\$1,650,000	\$1,631,000	\$1,631,977	\$977
Other Local Taxes	310,000	310,000	357,079	47,079
Sales Tax	9,875,000	10,100,000	10,270,517	170,517
Revenue in Lieu of Taxes	150	150	158	8
Charges for Services	2,572,450	2,600,300	2,685,803	85,503
Licenses and Permits	9,550	9,050	29,629	20,579
Fines and Forfeitures	132,000	137,000	142,053	5,053
Intergovernmental	1,362,832	1,667,032	1,689,857	22,825
Interest	10,000	7,000	7,203	203
Rent	2,500	2,500	2,170	(330)
Miscellaneous	16,168	30,168	86,804	56,636
Total Revenues	15,940,650	16,494,200	16,903,250	409,050
<u>Expenditures:</u>				
Current:				
General Government:				
Legislative and Executive	7,137,624	6,961,056	7,065,369	(104,313)
Judicial	2,288,470	2,389,000	2,140,390	248,610
Public Safety:				
Sheriff	3,754,374	3,753,763	3,675,137	78,626
Other	610,637	572,858	514,693	58,165
Health	345,313	347,091	346,541	550
Human Services	443,453	443,453	410,239	33,214
Conservation and Recreation	164,391	159,779	156,036	3,743
Economic Development and Assistance	87,300	79,659	63,196	16,463
Capital Outlay	194,442	194,442	194,442	0
Debt Service:				
Principal Retirement	25,000	29,431	29,431	0
Interest and Fiscal Charges	10,087	10,268	9,592	676
Total Expenditures	15,061,091	14,940,800	14,605,066	335,734
Excess of Revenues Over Expenditures	879,559	1,553,400	2,298,184	744,784
<u>Other Financing Sources (Uses):</u>				
Advances Out	0	0	(25,000)	(25,000)
Transfers In	35,000	62,000	1,166	(60,834)
Transfers Out	(785,242)	(1,544,690)	(1,372,073)	172,617
Total Other Financing Sources (Uses)	(750,242)	(1,482,690)	(1,395,907)	86,783
Net Change in Fund Balance	129,317	70,710	902,277	831,567
Fund Balance (Deficit) at Beginning of Year - (Restated - See Note 3)	(1,434,391)	(1,434,391)	(1,434,391)	0
Prior Year Encumbrances Appropriated	416,437	416,437	416,437	0
Fund Balance (Deficit) at End of Year	(\$888,637)	(\$947,244)	(\$115,677)	\$831,567

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 Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental	\$8,149,000	\$6,548,440	\$6,548,884	\$444
Miscellaneous	270,000	267,767	286,168	18,401
<i>Total Revenues</i>	8,419,000	6,816,207	6,835,052	18,845
<u>Expenditures:</u>				
Current:				
Human Services	8,642,105	7,990,012	7,198,418	791,594
Total Expenditures	8,642,105	7,990,012	7,198,418	791,594
Excess of Revenues Over (Under) Expenditures	(223,105)	(1,173,805)	(363,366)	810,439
<u>Other Financing Sources:</u>				
Transfers In	281,000	240,944	222,099	(18,845)
Total Other Financing Sources (Uses)	281,000	240,944	222,099	(18,845)
<i>Net Change in Fund Balance</i>	57,895	(932,861)	(141,267)	791,594
<i>Fund Balance at Beginning of Year</i>	791,654	791,654	791,654	0
<i>Prior Year Encumbrances Appropriated</i>	141,207	141,207	141,207	0
<i>Fund Balance at End of Year</i>	<u>\$990,756</u>	<u>\$0</u>	<u>\$791,594</u>	<u>\$791,594</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 Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Charges for Services	\$153,699	\$153,699	\$213,709	\$60,010
Fines and Forfeitures	17,700	17,700	15,219	(2,481)
Intergovernmental	5,114,135	4,699,745	4,669,145	(30,600)
Interest	850	850	361	(489)
Rent	900	900	900	0
Miscellaneous	0	0	3,552	3,552
<i>Total Revenues</i>	<u>5,287,284</u>	<u>4,872,894</u>	<u>4,902,886</u>	<u>29,992</u>
<u>Expenditures:</u>				
Current:				
Public Works	3,948,999	4,515,092	3,136,144	1,378,948
Capital Outlay	2,886,562	2,500,299	2,500,299	0
<i>Total Expenditures</i>	<u>6,835,561</u>	<u>7,015,391</u>	<u>5,636,443</u>	<u>1,378,948</u>
Excess of Revenues Over (Under) Expenditures	(1,548,277)	(2,142,497)	(733,557)	1,408,940
<u>Other Financing Uses:</u>				
Transfers Out	0	(23,710)	(23,710)	0
<i>Total Other Financing Uses</i>	<u>0</u>	<u>(23,710)</u>	<u>(23,710)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,548,277)	(2,166,207)	(757,267)	1,408,940
<i>Fund Balance at Beginning of Year - (Restated - See Note 3)</i>	1,480,412	1,480,412	1,480,412	0
<i>Prior Year Encumbrances Appropriated</i>	<u>228,977</u>	<u>228,977</u>	<u>228,977</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$161,112</u>	<u>(\$456,818)</u>	<u>\$952,122</u>	<u>\$1,408,940</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 Developmental Disabilities Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$3,920,000	\$3,920,000	\$3,348,836	(\$571,164)
Revenue in Lieu of Taxes	0	0	14,788	14,788
Charges for Services	60,730	60,730	55,348	(5,382)
Intergovernmental	3,201,637	3,182,626	4,656,147	1,473,521
Interest	61	61	26	(35)
Contributions and Donations	10,300	10,300	15,253	4,953
Miscellaneous	260,374	250,634	416,274	165,640
<i>Total Revenues</i>	<u>7,453,102</u>	<u>7,424,351</u>	<u>8,506,672</u>	<u>1,082,321</u>
<u>Expenditures:</u>				
Current:				
Health	9,124,281	9,931,001	9,328,892	602,109
Capital Outlay	4,921	143,403	143,403	0
Debt Service:				
Principal Retirement	169,086	161,006	88,583	72,423
Interest and Fiscal Charges	9,961	25,497	25,759	(262)
<i>Total Expenditures</i>	<u>9,308,249</u>	<u>10,260,907</u>	<u>9,586,637</u>	<u>674,270</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,855,147)</u>	<u>(2,836,556)</u>	<u>(1,079,965)</u>	<u>1,756,591</u>
<i>Net Change in Fund Balance</i>	(1,855,147)	(2,836,556)	(1,079,965)	1,756,591
<i>Fund Balance at Beginning of Year - (Restated - See Note 3)</i>	4,620,171	4,620,171	4,620,171	0
<i>Prior Year Encumbrances Appropriated</i>	<u>42,500</u>	<u>42,500</u>	<u>42,500</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,807,524</u></u>	<u><u>\$1,826,115</u></u>	<u><u>\$3,582,706</u></u>	<u><u>\$1,756,591</u></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 Fund
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$825,000	\$825,000	\$708,429	(\$116,571)
Revenue in Lieu of Taxes	3,675	3,675	3,676	1
Intergovernmental	1,546,413	1,546,413	2,219,749	673,336
Contributions and Donations	1,400	1,400	10,000	8,600
Miscellaneous	0	0	5,865	5,865
<i>Total Revenues</i>	<u>2,376,488</u>	<u>2,376,488</u>	<u>2,947,719</u>	<u>571,231</u>
<u>Expenditures:</u>				
Current:				
Human Services	<u>3,224,802</u>	<u>3,293,615</u>	<u>2,913,193</u>	<u>380,422</u>
<i>Total Expenditures</i>	<u>3,224,802</u>	<u>3,293,615</u>	<u>2,913,193</u>	<u>380,422</u>
<i>Net Change in Fund Balance</i>	(848,314)	(917,127)	34,526	951,653
<i>Fund Balance at Beginning of Year</i>	1,006,168	1,006,168	1,006,168	0
<i>Prior Year Encumbrances Appropriated</i>	<u>68,814</u>	<u>68,814</u>	<u>68,814</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$226,668</u>	<u>\$157,855</u>	<u>\$1,109,508</u>	<u>\$951,653</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Assets
Enterprise Fund
December 31, 2011

	<u>Sewer Fund</u>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,008,806
Cash and Cash Equivalents in Segregated Accounts	240,050
Materials and Supplies Inventory	6,986
Accounts Receivable	1,901,398
Due from Other Governments	8,586
Prepaid Items	<u>7,731</u>
<i>Total Current Assets</i>	<u>3,173,557</u>
<u>Non-Current Assets:</u>	
Deferred Charges	32,576
Capital Assets:	
Land and Construction in Progress	2,454,871
Depreciable Capital Assets, Net	<u>15,519,353</u>
<i>Total Non-Current Assets</i>	<u>18,006,800</u>
<i>Total Assets</i>	<u>21,180,357</u>
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	64,334
Contracts Payable	60,039
Due to Other Governments	46,936
Accrued Interest Payable	111,888
General Obligation Bonds Payable	209,327
Farmer's Home Administration Bonds Payable	63,534
Ohio Public Works Commission Loans Payable	46,819
Ohio Water Development Authority Loans Payable	20,240
Compensatory Time Payable	13,085
Compensated Absences Payable	<u>40,974</u>
<i>Total Current Liabilities</i>	<u>677,176</u>
<u>Long-Term Liabilities (Net of Current Portion):</u>	
General Obligation Bonds Payable	2,989,501
Farmer's Home Administration Bonds Payable	2,763,523
Ohio Public Works Commission Loans Payable	666,973
Ohio Water Development Authority	1,203,192
Compensated Absences Payable	<u>23,410</u>
<i>Total Long-Term Liabilities</i>	<u>7,646,599</u>
<i>Total Liabilities</i>	<u>8,323,775</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	9,983,652
Unrestricted	<u>2,872,930</u>
<i>Total Net Assets</i>	<u>\$12,856,582</u>

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, 2011

	<i>Sewer Fund</i>
<u>Operating Revenues:</u>	
Charges for Services	\$3,389,237
Other Operating Revenues	252
	3,389,489
<i>Total Operating Revenues</i>	<i>3,389,489</i>
<u>Operating Expenses:</u>	
Personal Services	675,772
Fringe Benefits	447,850
Contractual Services	963,806
Materials and Supplies	172,486
Depreciation	397,178
Other	308
	2,657,400
<i>Total Operating Expenses</i>	<i>2,657,400</i>
Operating Income	732,089
<u>Non-Operating Revenues (Expenses):</u>	
Interest and Fiscal Charges	(359,175)
Other Non-Operating Revenues	1,717
	(357,458)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(357,458)</i>
Income Before Capital Grants	374,631
Capital Grants	68,258
	442,889
<i>Net Income</i>	<i>442,889</i>
<i>Net Assets at Beginning of Year</i>	<i>12,413,693</i>
<i>Net Assets at End of Year</i>	<i>\$12,856,582</i>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2011

	<i>Sewer Fund</i>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$3,205,250
Cash Received from Other Operating Sources	252
Cash Payments to Suppliers for Goods and Services	(1,099,495)
Cash Payments to Employees for Services	(673,916)
Cash Payments for Employee Benefits	(452,615)
Cash Payments for Other Operating Expenses	(308)
	979,168
<i>Net Cash Provided by Operating Activities</i>	979,168
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Loans	345,570
Capital Grants Received	92,859
Aquisition of Capital Assets	(770,034)
Principal Paid on Bonds and Loans	(325,623)
Interest Paid on Bonds and Loans	(317,471)
Other Non-Operating Revenues	1,987
	(972,712)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(972,712)
<i>Net Increase in Cash and Cash Equivalents</i>	6,456
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,242,400
<i>Cash and Cash Equivalents at End of Year</i>	\$1,248,856
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$732,089
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>	
Depreciation	397,178
Capitalized Interest Recorded on a GAAP Basis	3,122
Increase in Materials and Supplies Inventory	(6,986)
Increase in Accounts Receivable	(183,987)
Decrease in Prepaid Items	592
Increase in Accounts Payable	26,533
Increase in Due to Other Governments	8,816
Increase in Compensatory Time Payable	1,394
Increase in Compensated Absences Payable	417
	247,079
<i>Total Adjustments</i>	247,079
<i>Net Cash Provided by Operating Activities</i>	\$979,168

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2011

Assets:

Equity in Pooled Cash and Cash Equivalents	\$3,345,575
Cash and Cash Equivalents in Segregated Accounts	1,048,796
Receivables:	
Property Taxes	43,337,229
Accounts	1,097,383
Revenue in Lieu of Taxes	164,387
Due from Other Governments	2,850,660
	<hr/>
<i>Total Assets</i>	<u><u>\$51,844,030</u></u>

Liabilities:

Due to Other Governments	\$47,464,659
Undistributed Monies	4,379,371
	<hr/>
<i>Total Liabilities</i>	<u><u>\$51,844,030</u></u>

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

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

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Scioto County, this includes the Children Services Board, the Scioto County Board of 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 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 Developmental Disabilities provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Scioto County, the workshop is presented as a component unit of Scioto County. STAR, Inc. operates on a calendar year ending December 31. Separately issued financial statements can be obtained from STAR, Inc., located at 2625 Gallia Street, Portsmouth, Ohio 45662.

Scioto County Airport Authority

The Scioto County Airport Authority operates under a separate board that consists of five members appointed by the County Commissioners. The airport authority generates revenue from sales of fuel and the leasing of equipment and rental space. Grants are applied for in the airport authority's name. The County provides payroll, fringe benefits and some utilities. Financial statements are issued as part of the Scioto County report 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, 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)
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 Pronouncements 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 – To account for and report all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Public Assistance – To account for and report various federal and State resources which are restricted for the purpose of providing public assistance to general relief recipients, paying their providers for medical assistance, and for providing certain public social services.

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

Board of Developmental Disabilities – To account for and report monies received through a County-wide property tax levy, along with federal and State grants, which are restricted to the operation of a school and assistance to a workshop for the developmentally disabled.

Children Services – To account for and report monies received from federal and State grants, the Social Security Administration, and various other resources restricted to the support of foster homes, medical treatment, school supplies, counseling, and parental assistance.

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, committed, or assigned to 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 – To account for the provision of sanitary sewer services to the residents and businesses of the County.

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and 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 that the amount of the transaction can be determined and “available” means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, revenue in lieu of taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes and revenue in lieu of taxes is recognized in the year for which the taxes are levied. (See Note 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, and accounts (i.e., charges for services and licenses and permits), and rent.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED REVENUE

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of December 31, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met have also been recorded as deferred revenue.

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

EXPENSES/EXPENDITURES

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

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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, an escrow agent and cash in segregated accounts, are pooled in order to provide improved cash management. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the financial statements as "Cash and Cash Equivalents in Segregated Accounts." The County utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances 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. Also "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the balance sheet represents unclaimed monies held by the County to be reclaimed by its rightful owners.

During the year, the County's investments were limited to STAROhio.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2011. 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 net asset value per share which is the price the investment could be sold for at December 31, 2011.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2011 amounted to \$6,944, of which \$6,873 was 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

Materials and supplies inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Materials and supplies inventory consists of expendable supplies held for consumption.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivables” and “Interfund Payable”. Long-term interfund loan receivables, reported as “Advances to Other Funds” or “Advances from Other Funds”, are classified as nonspendable fund balance which indicate that they are not in spendable form even though it is a component of net current assets. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CAPITAL ASSETS

General capital assets are capital assets that are associated with and generally arise from governmental activities. 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 \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed.

All reported capital assets, except land, roadway subsurface 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	5-30 years
Vehicles	8 years
Infrastructure	5-65 years

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITALIZATION OF INTEREST

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

COMPENSATED ABSENCES

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

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

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

FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. The nonspendable fund balances for the County include prepaids, materials and supplies inventory, unclaimed monies, and the long-term amount of interfund loans.

Restricted - The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource provides, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of County Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of County Commissioners removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unclaimed monies held to be reclaimed by its rightful owners and monies held in escrow accounts that are still owed to contractors for work completed relating to the jail construction project.

BOND PREMIUMS AND ISSUANCE COSTS/LOSS

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.

INTERNAL ACTIVITY

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Restricted net assets include funds for County road and bridge repairs, residential homes and educational opportunities for the developmentally disabled, the support and placement of children, improving the living environment of the County, and the operation of public safety and transportation programs. Net assets restricted for other purposes consist mainly of expenditures for legislative and executive purposes.

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

INVESTMENT IN JOINT VENTURE

The County's Investment in Joint Venture relates to the County's equity interest in the Joint Solid Waste District (see Note 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 AND RESTATEMENT OF PRIOR YEAR NET ASSETS

The County has implemented Governmental Accounting Standards Board (GASB) Statements No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Also, a restatement of depreciable capital assets was necessary to correct errors in the capital assets records and to change the estimated useful lives of certain capital assets. The implementation of GASB Statement No. 54 and corrections resulted in the following changes to fund balances and net assets at December 31, 2010, as previously reported:

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS (Continued)

	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
Fund Balance, December 31, 2010, as Previously Reported	\$448,018	\$1,470,498	\$2,832,036	\$4,826,979	\$1,205,936	\$5,834,626	\$16,618,093
Reclassification of Funds	(348,687)	0	(21,667)	713,405	0	(343,051)	0
Fund Balance, December 31, 2010, as Restated	<u>\$99,331</u>	<u>\$1,470,498</u>	<u>\$2,810,369</u>	<u>\$5,540,384</u>	<u>\$1,205,936</u>	<u>\$5,491,575</u>	<u>\$16,618,093</u>

	Governmental Activities
Net Assets, December 31, 2010, as Previously Reported	\$91,929,836
Restatement of Land and Depreciable Capital Assets	(128,136)
Net Assets, December 31, 2010, as Restated	<u>\$91,801,700</u>

The implementation of GASB Statement No. 54 resulted in the following changes to fund balances on a budgetary basis at December 31, 2010, as previously reported:

	General	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Total
Fund Balance, December 31, 2010, as Previously Reported	(\$1,041,551)	\$1,501,481	\$4,028,595	\$4,488,525
Reclassification of Funds	(392,840)	(21,069)	591,576	177,667
Fund Balance, December 31, 2010, as Restated	<u>(\$1,434,391)</u>	<u>\$1,480,412</u>	<u>\$4,620,171</u>	<u>\$4,666,192</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

ACCOUNTABILITY

The Recovery Assistance Department of Education and County Sign Upgrade Project Special Revenue Funds and the Ohio River Road Project Capital Projects Fund had deficit fund balances of \$488, \$23,412 and \$17,130, respectively, at December 31, 2011. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

COMPLIANCE

The General Fund had original and final appropriations in excess of original and final estimated revenues and available fund balances of \$888,637 and \$947,244, respectively; for the year ended December 31, 2011.

The Motor Vehicle Gas Tax Fund had final appropriations in excess of final estimated revenues and available fund balances of \$456,818 for the year ended December 31, 2011.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

COMPLIANCE (Continued)

Ohio Rev. Code Section 133.22 (A)(2) requires that a bond issuance have one purpose and not be used for general operating expenses. The County issued a Bond Anticipation Note in the amount of \$375,000 which was received and deposited into the General Fund to pay general operating expenses.

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

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. The Scioto County Commissioners entered into a twenty year lease/purchase agreement for an Energy Conservation Project on the Scioto County Courthouse and the Job and Family Services building on March 14, 2006. The percentage breakdown of the project was determined to be 64.53% for the Scioto County Courthouse and 35.47% for the Job and Family Services building. Based on these percentages, the semi-annual lease payments of \$78,303 were to be paid \$50,529 from the General Fund and \$27,774 from the Public Assistance Fund. Actual payments were made from incorrect funds.

FEDERAL COMPLIANCE

2 C.F.R. Part 225 App B. Section 37.c indicates rental costs under “less than arm’s length” leases are allowable only up to the amount that would be allowable had title to the property vested in the County. Additionally, Ohio Admin. Code Section 5101:9-4-11(A) indicates the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OBM) Circular A-87, attachment B and Code of Federal Regulations 2 C.F.R. Part 225.

\$83,494 excess cost was allocated through an indirect cost pool to the Job and Family Service department federally funded programs. Of the \$83,94 allocated to the individual programs, \$53,107 was funded from Federal dollars, and the remaining \$30,387 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A).

13 C.F.R. Section 307.12(a) states that Revolving Loan Fund (RLF) Income must be placed into the RLF Capital base for the purpose of making loans or payment for eligible and reasonable costs associated with the RLF’s operations. For the period of October 1, 2010 through March 31, 2011, administrative expenses exceeded RLF income by \$2,759. For the period of April 1, 2011 through September 30, 2011, administrative expenses exceeded RLF income by \$18,798. This resulted in \$21,557 of RLF capital for lending being used for administrative expenses without prior approval of the EDA which is considered unallowable and are considered questioned costs as well.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

FEDERAL COMPLIANCE (Continued)

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) recipients must complete and submit a semi-annual report (Form ED-209) in electronic format, unless EDA approves a paper submission. Semi-annual reports are required to be submitted to EDA within thirty days of the end of the period. 13 C.F.R. Section 307.16(b)(1) states that RLF recipients shall promptly inform EDA in writing of any condition that may adversely affect their ability to meet the prescribed schedule deadlines. RLF recipients must submit a written request to EDA for continued use of grant funds beyond a missed deadline. The County's RLF Manager did not file the semi-annual report for the period ending March 31, 2011 with EDA until September 30, 2011. The County requested, and received, filing extensions for these reports through November 30, 2011 and December 31, 2011, respectively; however, they still had not submitted the reports as of June 1, 2012.

OBM Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect for Federal awards. OBM Circular A-87, Appendix A, paragraph C.1 outlines the guidance for an expenditure to be allowable under Federal awards. Also, Section 25.i of the State of Ohio Small Cities Community Development Block Grant (CDBG) Agreement, states that any rights, duties, or obligations described in the agreement shall not be assigned, subcontracted, or subgranted by the Grantee without prior expression written consent of the Grantor. This section thus, prohibits the County from having subrecipients of their CDBG grants or giving any obligations they have to another entity for the CDBG grants. However, we found that the County entered into agreements (without prior approval of the Ohio Department of Development) with two different entities (Southern Ohio Port Authority and Southern Ohio Shelter) where the County paid the entities directly, and the entities then took care of the bidding process and payment of the contractors themselves. This violated the agreement the County had with the Ohio Department of Development and resulted in questioned costs of \$308,234.

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 fund. 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. Scioto County has not developed a cash management system to ensure compliance with the Fifteen Day Rule.

24 C.F.R Sections 91.115 and 570.486 require, prior to the submission to United States Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to the HUD that it has met the citizen participation requirements. The County could not provide a copy of their Citizen Participation Plan. Thus, we could not test if the County did comply with its own plan.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) is presented for the General Fund and the Public Assistance, Motor Vehicle Gas Tax, Board of Developmental Disabilities, and Children Services Major Special Revenue Funds to provide a meaningful comparison of actual results with the budget.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
6. The County does not budget for the unclaimed monies activity which is reported as an agency fund on the County's books. However, the activity is included in the General Fund for GAAP reporting purposes.

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

	Net Change in Fund Balance				
	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services
GAAP Basis	\$1,499,551	(\$93,114)	(\$469,176)	(\$1,283,160)	\$121,186
Increases (Decreases) Due to:					
Revenue Accruals	(510,480)	159,495	(251,100)	54,100	(55,978)
Expenditure Accruals	360,546	(45,897)	215,567	236,628	35,261
Encumbrances	(494,871)	(153,483)	(252,771)	(81,044)	(62,638)
Unrecorded Cash - 2010	150,532	3,805	213	89,849	17,321
Unrecorded Cash - 2011	(195,703)	(12,073)	0	(96,338)	(20,626)
Advances	(25,000)	0	0	0	0
Unbudgeted Activity	117,702	0	0	0	0
Budget Basis	<u>\$902,277</u>	<u>(\$141,267)</u>	<u>(\$757,267)</u>	<u>(\$1,079,965)</u>	<u>\$34,526</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;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
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);
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 25 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 \$500 million 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 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
 - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

10. Up to 15 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.

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, 2011, the County had the following investments.

	<u>Fair Value</u>	<u>Maturity Date</u>
STAROhio	\$84,521	average 57 days

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

Credit Risk – STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The County's investment policy limits investments to those authorized by State statute.

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2011, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$716,953,770
Commercial/Industrial/Public Utility	147,211,490
Public Utility Real	12,049,940
Public Utility Personal	76,223,900
Total Assessed Value	<u><u>\$952,439,100</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 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 Office of Budget and Management the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within 45 days after the end of each month. The Tax Commissioner shall then, on or before the twentieth day of the month in which certification is made, provide for payment to the County.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2011.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services), interfund activity, revenue in lieu of taxes, revenue due from other governments arising from grants and shared revenues, advances to other funds, and loans. All receivables are considered fully collectible and will be received within one year with the exception of property taxes, revenue in lieu of taxes, advances to other funds, and loans. Sewer charges receivable, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. Property taxes and revenue in lieu of taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2011, was \$502,156, of which \$25,713 is considered to be due within one year.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 9 - RECEIVABLES (Continued)

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

	<i>Amount</i>
<u>Governmental Activities Intergovernmental Receivables</u>	
Local Government	\$452,624
Indigent Defense Reimbursement	111,722
Human Services Grants/Reimbursements	706,823
Child Support Poundage	15,727
Board of Developmental Disabilities Contractual Services	1,511,772
Children Services Reimbursements	1,023,889
High Intensity Drug Trafficking Award	1,549
High Visibility Enforcement Overtime Grant	5,533
Homestead and Rollback	477,296
Prisoner Housing	175,503
Felony Delinquent Care and Custody Grant	241,728
Community Corrections Act Grants	117,423
Early Childhood Special Education Grant	9,417
Special Education Grant	53,896
Bridges to Transition Grant	41,202
IV-D Contract Billing	17,195
FY 2011 Safety Council	5,776
Rotary Contractual Services	160,233
Inmate Medical Reimbursement	1,588
Title XX Grant	12,572
Rural Transit Grants	50,100
Victims of Crime Assistance Grant	58,743
Neighborhood Stabilization Program Grant	395
Community Development Block Grants	583,551
Bulletproof Vest Partnership	4,209
Byrne Justice Assistance Grant	7,453
Ohio Department of Transportation - Sign Upgrade Grant	30,733
Ohio Public Works Commission - Brady Creek Bridge Replacement Grant	145,874
Ohio Department of Transportation - Ohio River Road Grant	881,760
Fines and Court Costs	3,609
Emergency Management Performance Grant	9,742
FEMA Grant	280,615
Cents Per Gallon	367,766
Reimbursements For Contractual Services	108,173
Gasoline Tax	764,074
Motor Vehicle License Tax	1,164,768
Total Governmental Activities	9,605,033
<u>Business-Type Activity Intergovernmental Receivables</u>	
Ohio Public Works Commission - West Protsmouth UV Project Grant	8,586
Total Intergovernmental Receivables	\$9,613,619

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2011, was as follows:

	Restated Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,809,270	\$0	(\$233,184)	\$1,576,086
Depreciable Capital Assets:				
Land Improvements	716,248	349,759	(12,327)	1,053,680
Buildings and Building Improvements	46,625,236	166,993	0	46,792,229
Furniture, Fixtures, and Equipment	5,614,773	396,745	(123,247)	5,888,271
Vehicles	4,491,820	413,954	(139,490)	4,766,284
Infrastructure	64,957,675	3,997,089	(191,492)	68,763,272
Total Depreciable Capital Assets	<u>122,405,752</u>	<u>5,324,540</u>	<u>(466,556)</u>	<u>127,263,736</u>
Less Accumulated Depreciation:				
Land Improvements	(94,974)	(42,060)	12,327	(124,707)
Buildings and Building Improvements	(12,882,953)	(1,003,388)	0	(13,886,341)
Furniture, Fixtures, and Equipment	(3,995,652)	(406,746)	116,724	(4,285,674)
Vehicles	(3,101,303)	(348,297)	131,704	(3,317,896)
Infrastructure	(21,767,395)	(1,763,284)	142,334	(23,388,345)
Total Accumulated Depreciation	<u>(41,842,277)</u>	<u>(3,563,775) *</u>	<u>403,089</u>	<u>(45,002,963)</u>
Depreciable Capital Assets, Net	<u>80,563,475</u>	<u>1,760,765</u>	<u>(63,467)</u>	<u>82,260,773</u>
Governmental Activities				
Capital Assets, Net	<u>\$82,372,745</u>	<u>\$1,760,765</u>	<u>(\$296,651)</u>	<u>\$83,836,859</u>

*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$237,655
Judicial	65,540
Public Safety:	
Sheriff	416,257
Other	215,495
Public Works	1,869,613
Health	239,623
Human Services	219,107
Conservation and Recreation	234,493
Transportation	65,992
Total Depreciation Expense	<u>\$3,563,775</u>

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - CAPITAL ASSETS (Continued)

Capital assets activity of the business-type activities for the year ended December 31, 2011, was as follows:

	Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$18,480	\$0	\$0	\$18,480
Construction in Progress	1,747,750	688,641	0	2,436,391
Total Capital Assets, Not Being Depreciated	1,766,230	688,641	0	2,454,871
Depreciable Capital Assets:				
Land Improvements	0	7,393	0	7,393
Buildings and Building Improvements	7,246,482	0	0	7,246,482
Furniture, Fixtures, and Equipment	724,917	12,701	0	737,618
Vehicles	267,951	0	0	267,951
Infrastructure	14,577,448	75,340	0	14,652,788
Total Depreciable Capital Assets	22,816,798	95,434	0	22,912,232
Less Accumulated Depreciation:				
Land Improvements	0	(169)	0	(169)
Buildings and Building Improvements	(2,671,117)	(144,930)	0	(2,816,047)
Furniture, Fixtures, and Equipment	(681,285)	(6,385)	0	(687,670)
Vehicles	(186,352)	(16,963)	0	(203,315)
Infrastructure	(3,456,947)	(228,731)	0	(3,685,678)
Total Accumulated Depreciation	(6,995,701)	(397,178)	0	(7,392,879)
Depreciable Capital Assets, Net	15,821,097	(301,744)	0	15,519,353
Business-Type Activities Capital Assets, Net	\$17,587,327	\$386,897	\$0	\$17,974,224

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)

The County participates in the Ohio Bureau of Workers' Compensation (the "Bureau") Retrospective Rating Program. Under the retrospective rating program, the County assumes a portion of the risk in return for a reduction in current premiums. This program involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in 2011. Current limits for claims incurred in calendar year 2011 are \$125,000 per claim and 150 percent of the annual premium in the aggregate. The minimum premium portion of intergovernmental payable is \$226,466 and the actual claim costs are \$102,802. The respective funds from which the salaries are paid pay the premium portion of the intergovernmental payable, while the General Fund pays the actual claim costs portion of the intergovernmental payable. Estimates of claim liabilities based on actuarial methods, for incurred but not reported claims as calculated by the Bureau for the cumulative retrospective rating period January 1, 2011, through December 31, 2011, total \$41,403 and are recorded within long-term liabilities in the government-wide financial statements.

The amounts reported in the government-wide financial statements at December 31, 2011, are based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Management Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Estimates were calculated based upon an independent actuarial evaluation of claims payable. This estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the Workers' Compensation Retrospective Rating Program for the current year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2010	\$0	\$8,071	\$0	\$8,071
2011	8,071	102,802	69,470	41,403

NOTE 12 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$2,158,283, \$2,006,889, and \$1,971,278, respectively. For 2011, 87.74 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$25,121 made by the County and \$17,944 made by plan members.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description - Certified teachers, employed by the School for Developmental Disabilities, contribute 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 43215-3771, by calling 888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the combined plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or combined plan member with five or more years of 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 of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, 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 fiscal year 2010, 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 STRS Ohio for the years ended December 31, 2011, 2010, and 2009 were \$86,727, \$89,074, and \$80,971, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

NOTE 13 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$833,866, \$1,074,327, and \$1,228,335, respectively. For 2011, 87.74 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law enforcement and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description – Certified teachers, employed by the School for Developmental Disabilities, contribute to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling 888-227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2011, 2010, and 2009 were \$6,671, \$6,852, and \$6,229, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

NOTE 14 - OTHER EMPLOYEE BENEFITS

DEFERRED COMPENSATION

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

COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

Accumulated, unused sick leave is paid up to a maximum number of hours, depending on length of service and departmental policy, to employees who retire.

The employees in the Department of Children Services receive three days of personal leave with eight hours effective on July 1, November 1, and March 1. They must use the leave by June 30 or forfeit it.

INSURANCE BENEFITS

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

Employee dental insurance for employees of the Board of Developmental Disabilities was provided by Delta Dental. Vision insurance and life insurance were provided by Vision Service Pro and Principal Financial Group, respectively.

NOTE 15 - LEASES – LESSEE DISCLOSURE

During 2011 and in prior years, the County entered into capitalized leases for energy-saving renovations to certain buildings, 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 lease-purchase agreements for energy-saving renovations to the facilities of the Board of Developmental Disabilities, the facilities of the Department of Job and Family Services and the Courthouse. In 2007, the County entered into a lease-purchase agreement for energy-saving renovations to the Children Services facilities. The County is leasing the projects from Citimortgage, Inc. Citimortgage, Inc. deposited monies with UMB Bank, who serves as the fiscal agent for the monies. The County utilized the monies held by UMB Bank for the renovations. In turn, the County will make semi-annual lease payments to UMB Bank. The projects for the facilities of the Department of Job and Family Services and the Courthouse, which were included in one lease agreement, were completed in 2007. The projects for the facilities of the Board of Developmental Disabilities and for Children Services were completed in 2008. Monies remaining in the escrow accounts relating to the projects for the Board of Developmental Disabilities and Children Services are interest earnings earned on the balance of the accounts during the completion of the projects. These monies were returned to the County in 2010 and used to pay debt service on the leases. Capital assets acquired under the lease-purchase agreement were capitalized as buildings and improvements in the Statement of Net Assets for governmental activities. The lease for the facilities of the Department of Job and Family Services and the Courthouse will expire in 2016. The lease for the facilities of the Board of Developmental Disabilities will expire in 2017. The lease for the Children Services facilities will expire in 2018.

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.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 15 - LEASES – LESSEE DISCLOSURE (Continued)

General capital assets consisting of buildings and improvements, vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$3,452,092. 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 2011 totaled \$606,787 in the governmental funds.

The assets acquired through capital leases as of December 31, 2011, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings and Improvements	\$2,850,818	\$247,048	\$2,603,770
Furniture, Fixtures, and Equipment	371,202	139,322	231,880
Vehicles	230,072	10,904	219,168
Total	<u>\$3,452,092</u>	<u>\$397,274</u>	<u>\$3,054,818</u>

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, 2011:

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$489,829
2013	468,369
2014	373,128
2015	362,042
2016	341,309
2017-2021	299,757
2022-2026	108,000
2027-2028	39,600
Total	2,482,034
Less: Amount Representing Interest	(422,005)
Present Value of Net Minimum Lease Payments	<u>\$2,060,029</u>

The County leases vehicles and furniture, fixtures, and equipment under noncancelable operating leases. Operating lease payments are reported as function expenditures in governmental funds and on the budgetary statements. Total operating lease payments in 2011 were \$6,249, which were paid from the General Fund and Public Assistance Fund.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$5,393
2013	5,393
Total	<u>\$10,786</u>

NOTE 16 - LONG-TERM OBLIGATIONS

BUSINESS-TYPE ACTIVITY

General Obligation Bonds

The County has issued General Obligation Bonds supported by Sewer Fund revenues. The proceeds of the bonds were used to fund various improvement projects in the County's sewer system and to refund bonds previously issued for the same purpose.

The entire amount of the refunded bonds was repaid, leaving no balance still outstanding on the original debt.

Farmer's Home Administration (FHA) Bonds

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

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

Ohio Water Development Authority (OWDA) Loans

The OWDA loans consist of money owed to the Ohio Water Development Authority for various sewer line and pump station renovation projects. These consist of 5 - 10 year general obligation loans payable. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loans will be repaid from the Sewer Fund. The future debt service requirements for these loans are not presented in 2011 because the final amortization schedules had not been provided to the County as of the end of the year.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the Sewer Enterprise Fund.

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

	Principal Outstanding at 12/31/2010	Additions	Deletions	Principal Outstanding at 12/31/2011	Due Within One Year
<i><u>Business-Type Activity</u></i>					
<i><u>General Obligation Bonds</u></i>					
Franklin Furnace Sewer Improvement Bonds 1997 4.50% - \$846,000	\$710,362	\$0	\$14,008	\$696,354	\$14,638
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	1,335,000	0	165,000	1,170,000	175,000
Unamortized Loss	(79,214)	0	(11,317)	(67,897)	0
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,110,090	0	15,260	1,094,830	15,940
Rigrish Sewer Bonds 2006 4.50% - \$322,000	309,129	0	3,588	305,541	3,749
Total Enterprise General Obligation Bonds	3,385,367	0	186,539	3,198,828	209,327
<i><u>Farmer's Home Administration (FHA) Bonds</u></i>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	648,500	0	15,700	632,800	16,500
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	523,800	0	11,760	512,040	12,280
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	693,475	0	14,578	678,897	15,234
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	718,320	0	12,510	705,810	13,070
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	303,670	0	6,160	297,510	6,450
Total FHA Bonds	2,887,765	0	60,708	2,827,057	63,534
<i><u>OPWC Loans</u></i>					
2002 0% - \$162,352	97,408	0	8,118	89,290	8,118
2004 0% - \$162,100	113,464	0	8,106	105,358	8,106
2006 0% - \$235,543	194,320	0	11,778	182,542	11,778
2006 0% - \$9,482	7,823	0	474	7,349	474
2008 0% - \$201,860	186,721	0	10,093	176,628	10,093
2009 0% - \$165,000	160,875	0	8,250	152,625	8,250
Total OPWC Loans	\$760,611	\$0	\$46,819	\$713,792	\$46,819

(Continued)

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/2010	Additions	Deletions	Principal Outstanding at 12/31/2011	Due Within One Year
<i><u>Business-Type Activity</u></i>					
<i><u>OWDA Loans</u></i>					
Minford Area Wastewater Loan 2009 5.47%	\$390,879	\$20,730	\$20,240	\$391,369	\$20,240
Wastewater Design for Minford, Clarktown, Muletown, and Rubyville Loan 2009 0%	350,075	0	0	350,075	0
Edan Park Planning and Design Loan 2009 0%	129,000	0	0	129,000	0
Wastewater System Design Loan For Minford Project 2011 4.53%	0	352,988	0	352,988	0
Total OWDA Loans	869,954	373,718	20,240	1,223,432	20,240
<i><u>Other Long-Term Obligations</u></i>					
Compensated Absences	63,967	16,244	15,827	64,384	40,974
Total Business-Type Activity	\$7,967,664	\$389,962	\$330,133	\$8,027,493	\$380,894

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

	General Obligation Bonds		FHA Bonds		OPWC Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2012	\$209,327	\$148,875	\$63,534	\$131,125	\$46,819	\$319,680	\$280,000
2013	215,875	139,330	66,479	128,168	46,819	329,173	267,498
2014	227,489	129,526	69,506	125,073	46,819	343,814	254,599
2015	239,183	119,194	72,724	121,837	46,819	358,726	241,031
2016	250,938	107,966	76,177	118,451	46,819	373,934	226,417
2017-2021	449,057	419,612	437,356	535,640	234,095	1,120,508	955,252
2022-2026	291,677	351,776	549,144	423,815	185,383	1,026,204	775,591
2027-2031	363,483	279,967	689,585	283,312	60,219	1,113,287	563,279
2032-2036	452,970	190,499	679,312	114,136	0	1,132,282	304,635
2037-2041	367,788	91,747	123,240	11,253	0	491,028	103,000
2042-2046	198,938	18,986	0	0	0	198,938	18,986
Totals	\$3,266,725	\$1,997,478	\$2,827,057	\$1,992,810	\$713,792	\$6,807,574	\$3,990,288

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 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 the 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, issued May 1, 2004, are being paid with monies received into the Debt Service Fund from the Public Assistance Fund. The refunded bonds were retired on August 1, 2004. The County Jail Bonds are being paid from general revenues of the County.

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.

Developmental Disabilities Loans

The Board of Developmental Disabilities has an outstanding general obligation loan which was issued in 1986. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The proceeds from the loan were used to construct the building for STAR, Inc. The loan will be paid from the Board of Developmental Disabilities Fund.

Riverside Park Loans

During 2007, the County entered into a loan agreement with US Bank for the purchase of a tractor for Riverside Park. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The loan is being repaid from the General Fund.

During 2011, the County entered into a loan agreement with US Bank for the purchase of a tractor for Riverside Park. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The loan is being repaid from the General Fund.

During 2011, the County entered into a loan agreement with US Bank for the purchase of a rugged terrain vehicle for Riverside Park. The loan is a direct obligation and pledges the full faith and credit of the County for repayment. The loan is being repaid from the General Fund.

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Capital Leases and Compensated Absences

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

Compensated absences will be paid from the following governmental funds:

General Fund
Dog and Kennel Special Revenue Fund
Public Assistance Special Revenue Fund
Real Estate Assessment Special Revenue Fund
Board of Developmental Disabilities Special Revenue Fund
T.B. Levy Special Revenue Fund
Emergency Management Assistance Special Revenue Fund
Children Services Special Revenue Fund
Revolving Loan Special Revenue Fund
Coordinated Transportation Special Revenue Fund
Engineer Special Revenue Fund
Recycling and Litter Prevention Special Revenue Fund
Ohio Department of Rehabilitation and Correction Treatment Special Revenue Fund
Sheriff's Policing Rotary Special Revenue Fund
Mediation Grant Special Revenue Fund

The Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims Payable will be paid from the following funds:

General Fund
Children Services Special Revenue Fund
Engineer Special Revenue Fund
Board of Developmental Disabilities Special Revenue Fund
Sheriff's Policing Rotary Special Revenue Fund

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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

	Principal Outstanding at 12/31/2010	Additions	Deletions	Principal Outstanding at 12/31/2011	Due Within One Year
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
Shelton Industries Bonds					
1999 8.05% - \$2,870,000	\$2,250,000	\$0	\$85,000	\$2,165,000	\$90,000
Juvenile Detention Center Bonds					
2000 5.80% - \$1,820,000	90,000	0	90,000	0	0
Human Services Refunding Bonds					
2004 2.00 - 3.25% - \$2,050,000	285,000	0	285,000	0	0
Unamortized Loss	(6,281)	0	(6,281)	0	0
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	5,120,000	0	185,000	4,935,000	190,000
Premium on County Jail Bonds	3,888	0	205	3,683	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	2,570,000	0	150,000	2,420,000	235,000
Unamortized Loss	(34,972)	0	(17,486)	(17,486)	0
Total General Obligation Bonds	10,277,635	0	771,438	9,506,197	515,000
<i>Other Long-Term Obligations</i>					
Developmental Disabilities Loan					
1986 3.00% - \$150,000	17,152	0	8,080	9,072	8,363
Riverside Park Tractor Loan 2007 4.47% - \$20,566	5,954	0	4,431	1,523	1,523
Riverside Park Tractor Loan 2011 2.50% - \$10,808	0	10,808	289	10,519	3,520
Riverside Park RTV Loan 2011 2.88% - \$10,835	0	10,835	2,917	7,918	3,594
Capital Leases	2,386,364	280,452	606,787	2,060,029	391,927
Compensated Absences	1,946,591	921,908	1,124,329	1,744,170	1,132,006
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	8,071	102,802	69,470	41,403	41,403
Total Other Long-Term Obligations	4,364,132	1,326,805	1,816,303	3,874,634	1,582,336
Total Governmental Activities	\$14,641,767	\$1,326,805	\$2,587,741	\$13,380,831	\$2,097,336

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

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

	General Obligation Bonds		Developmental Disabilities Loan		Riverside Park Equipment Loans		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$515,000	\$487,011	\$8,363	\$181	\$8,637	\$419	\$532,000	\$487,611
2013	550,000	464,992	709	2	7,307	210	558,016	465,204
2014	560,000	440,817	0	0	4,016	45	564,016	440,862
2015	590,000	415,253	0	0	0	0	590,000	415,253
2016	610,000	387,575	0	0	0	0	610,000	387,575
2017-2021	2,960,000	1,492,556	0	0	0	0	2,960,000	1,492,556
2022-2026	2,620,000	716,439	0	0	0	0	2,620,000	716,439
2027-2029	1,115,000	113,250	0	0	0	0	1,115,000	113,250
Totals	\$9,520,000	\$4,517,893	\$9,072	\$183	\$19,960	\$674	\$9,549,032	\$4,518,750

The County's total legal debt margin was \$21,270,713 at December 31, 2011, with an unvoted debt margin of \$8,484,126 at December 31, 2011.

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, 2011, is \$25,200,000.

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, 2011, is \$2,472,725.

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, 2011, is \$1,295,000.

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, 2011, is \$645,000.

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 balance outstanding as of December 31, 2011, is \$120,423,000.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011, the County retired the Commercial Property Acquisition Bond Anticipation Note in the amount of \$187,000 and reissued the note in the amount of \$162,000. The note is presented as a fund liability on the financial statements. The note will mature on September 13, 2012.

During 2011, the County retired the Various Purpose Bond Anticipation Note in the amount of \$400,000 and reissued the note in the amount \$375,000. The note is presented as a fund liability on the financial statements. The note will mature on September 13, 2012.

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

<u>Types / Issues</u>	<u>Balance at 12/31/10</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/11</u>
<u>Governmental Activities</u>				
Commercial Property Acquisition				
Bond Anticipation Note				
September 16, 2010 - 5.00% - \$187,000	\$187,000	\$0	\$187,000	\$0
September 15, 2011 - 3.50% - \$162,000	0	162,000	0	162,000
Various Purpose Bond				
Anticipation Note				
September 16, 2010 - 4.75% - \$400,000	400,000	0	400,000	0
September 15, 2011 - 4.75% - \$375,000	0	375,000	0	375,000
Total Governmental Activities	<u>\$587,000</u>	<u>\$537,000</u>	<u>\$587,000</u>	<u>\$537,000</u>

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 18 - INTERFUND ACTIVITY

Interfund balances at December 31, 2011, consist of the following individual fund receivables and payables:

		Receivables			
Payables		General	Public Assistance	Nonmajor Governmental Funds	Total
	General		\$0	\$13,935	\$0
Public Assistance		0	0	18,314	18,314
Nonmajor Governmental Funds		30,170	19,497	0	49,667
Total		<u>\$30,170</u>	<u>\$33,432</u>	<u>\$18,314</u>	<u>\$81,916</u>

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 Public Assistance Fund has outstanding payables to Nonmajor Governmental Funds for services provided through various contracts existing with Public Assistance. The Child Support Enforcement Fund has outstanding payables to the General Fund for services provided through the County Prosecutor's office and the Domestic Relations Court. All advances will be reimbursed either when funds become available or when payments for services are rendered.

		Advances To					
Advances From		General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Nonmajor Governmental Funds	Total
	General		\$0	\$43,213	\$0	\$129,146	\$375,000
Public Assistance		0	0	0	70,987	0	70,987
Nonmajor Governmental Funds		22,714	0	204,600	13,000	15,000	255,314
Total		<u>\$22,714</u>	<u>\$43,213</u>	<u>\$204,600</u>	<u>\$213,133</u>	<u>\$390,000</u>	<u>\$873,660</u>

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 18 - INTERFUND ACTIVITY (Continued)

The General Purpose Bond Fund advanced the General Fund \$500,000 in 2006 which was used for general operating expenditures. As of December 31, 2011, the General Fund had repaid \$125,000 of the advance, leaving a remaining balance of \$375,000 owed from the General Fund to Nonmajor Governmental Funds. During 2007 and 2008, debt service payments were made from the Board of Developmental Disabilities Fund and the Board of Developmental Disabilities Capital Projects Fund that should have been made from the General Fund and the Public Assistance Fund for the Ameresco lease purchase agreement funded by the General Fund and the Public Assistance Fund. The Motor Vehicle Gas Tax Fund advanced money to the Hayport Road Bridge Construction Nonmajor Fund. Since the payments have not been moved to the correct funds, the payments are presented as Advances To in the funds that are owed the monies and Advances From in the funds that owe the monies.

Transfers made during the year ended December 31, 2011 were as follows:

		Transfers To			Total
		General	Public Assistance	Nonmajor Governmental Funds	
Transfers From	General	\$0	\$222,099	\$1,149,974	\$1,372,073
	Motor Vehicle Gas Tax	0	0	23,710	23,710
	Nonmajor Governmental Funds	1,166	0	14,314	15,480
	Total	\$1,166	\$222,099	\$1,187,998	\$1,411,263

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies were transferred from the General Fund and from nonmajor special revenue funds to nonmajor debt service funds to make debt service payments. A transfer was made from the Motor Vehicle Gas Tax Fund to the OBWC Safety Grant Special Revenue Fund to purchase equipment.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

ADAMS, LAWRENCE, SCIOTO ALCOHOL, DRUG ADDICTION, AND MENTAL HEALTH SERVICES BOARD - JOINTLY GOVERNED ORGANIZATION

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

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

The three-county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: 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 percentage 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 2011.

OHIO VALLEY RESOURCE CONSERVATION AND DEVELOPMENT AREA, INC. - JOINTLY GOVERNED ORGANIZATION

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia, and Lawrence Counties each appoint three members to the 30 member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received no contributions from the County during 2011; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

WORKFORCE INVESTMENT BOARD - JOINTLY GOVERNED ORGANIZATION

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 48 member Board includes 12 members from each participating county and includes 51 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 2011.

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION - JOINTLY GOVERNED ORGANIZATION

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a 12 county economic development planning district in southern Ohio. The Commission was formed to favorably influence the future economic, physical and social development of Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton Counties. Membership is comprised of elected and appointed county, municipal and township officials or their officially appointed designees, as well as members of the private sector, community action agencies and regional planning commissions. The Commission is not dependent upon Scioto County for its existence. The County contributed \$12,977 to the Commission during the year.

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

SCIOTO COUNTY COMMUNITY ACTION ORGANIZATION - JOINTLY GOVERNED ORGANIZATION

The Scioto County Community Action Organization (CAO) is an IRS 502C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Scioto County. The CAO administers the Workforce Investment Act grant. The CAO Board is comprised of local public officials. The CAO controls its own operations and budget. In 2011, the County made no contributions to the CAO.

SOUTHERN OHIO DEVELOPMENT INITIATIVE - JOINTLY GOVERNED ORGANIZATION

The Southern Ohio Development Initiative was created with assistance from the U.S. Department of Energy to assist in the development of industrial areas to offset the potential downsizing and privatization of the Uranium Enrichment Plant in Piketon, Ohio. It is a legally separate, not-for-profit corporation with representatives from each of the counties impacted by the events at the Piketon Plant. The counties involved in this initiative are Pike, Ross, Scioto and Jackson Counties. The County has no authority to impose its will on the organization nor is a burden/benefit relationship in existence. During 2011, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY - JOINTLY GOVERNED ORGANIZATION

The Portsmouth Metropolitan Housing Authority (the Authority) is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the City of Portsmouth. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received no contributions from the County during 2011.

SOUTHERN OHIO COUNCIL OF GOVERNMENTS - JOINTLY GOVERNED ORGANIZATION

The County is a member of the Southern Ohio Council of Governments, which is a jointly governed organization, created under the Ohio Revised code section 167.01. The governing body consists of a 15 member board with each participating County represented by the Director of its Board of Developmental Disabilities. Member counties include: Adams, Athens, Brown, Clinton, Fayette, Gallia, Highland, Jackson, Lawrence, Meigs, Pickaway, Pike, Ross, Scioto, and Vinton Counties. The County paid the Council \$69,380 for services provided during the year. Financial statements can be obtained from the Southern Ohio Council of Governments, 17273 St. Rt. 104, Building 8, Chillicothe, Ohio, 45601.

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

JOINT SOLID WASTE DISTRICT - JOINT VENTURE

The County participates in a joint venture with Lawrence County, the Joint Solid Waste District (the District). The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. Each of the governments supports the District and shares in an equal percentage of equity. The degree of control exercised by each participating County is limited to its representation on the Board. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the District rotates between the two counties every third year. Lawrence County maintained the records in 2011.

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 \$215,780 as of December 31, 2011. Complete financial statements can be obtained from the Solid Waste District at 305 North 5th Street, Ironton, OH 45638.

NOTE 20 - RISK SHARING POOL

COUNTY RISK SHARING AUTHORITY, INC. (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among 60 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 2011 was \$372,711. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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, 2011, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2011
<i>West Portsmouth UV Project - Strand & Associates</i>	\$46,000	\$39,633	\$6,367
<i>Eden Park Sanitary Sewer Project - Strand & Associates</i>	450,500	272,475	178,025
<i>Minford Sewer Extension - EMH&T</i>	3,958,000	2,055,213	1,902,787
Total	<u>\$4,454,500</u>	<u>\$2,367,321</u>	<u>\$2,087,179</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.

FEDERAL AND STATE GRANTS

For the period January 1, 2011, to December 31, 2011, 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 2011, these contributions were \$163,550.

The Scioto County Airport Authority, a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of the Scioto County Airport Authority. In 2011, these contributions were \$55,959.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 25 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other nonmajor governmental funds are presented on the following page:

Fund Balances	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>							
Prepays	\$95,697	\$120,255	\$14,603	\$11,833	\$3,879	\$3,607	\$249,874
Materials and							
Supplies Inventory	15,195	18,257	242,328	0	500	1,245	277,525
Unclaimed Monies	150,319	0	0	0	0	0	150,319
Advances to Other Funds	22,714	0	0	0	0	0	22,714
<i>Total Nonspendable</i>	283,925	138,512	256,931	11,833	4,379	4,852	700,432
<i>Restricted for</i>							
Human Service Programs	0	1,238,872	0	0	0	1,230,890	2,469,762
Public Works	0	0	2,084,262	0	0	0	2,084,262
Health Programs	0	0	0	4,245,391	1,322,743	178,694	5,746,828
Judicial Programs	0	0	0	0	0	635,286	635,286
Public Safety Programs	0	0	0	0	0	1,924,515	1,924,515
Economic Development and Assistance	0	0	0	0	0	1,077,529	1,077,529
Other Purposes	0	0	0	0	0	1,105,058	1,105,058
<i>Total Restricted</i>	0	1,238,872	2,084,262	4,245,391	1,322,743	6,151,972	15,043,240
<i>Committed to</i>							
Judicial Programs	0	0	0	0	0	304,592	304,592
<i>Assigned to</i>							
Debt Service	1,185	0	0	0	0	10,594	11,779
Unpaid Obligations	472,985	0	0	0	0	0	472,985
Public Safety Programs	26,925	0	0	0	0	0	26,925
Other Purposes	48,786	0	0	0	0	0	48,786
<i>Total Assigned</i>	549,881	0	0	0	0	10,594	560,475
<i>Unassigned (Deficit)</i>	765,076	0	0	0	0	(41,030)	724,046
<i>Total Fund Balances</i>	\$1,598,882	\$1,377,384	\$2,341,193	\$4,257,224	\$1,327,122	\$6,430,980	\$17,332,785

NOTE 26 - FISCAL EMERGENCY

On August 19, 2009, the Ohio Auditor of State declared Scioto County in fiscal emergency, as defined by Ohio Revised Code Section 118.03. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the Chairman of the Scioto County Commissioners, the County Auditor, and three individuals appointed by the Governor who are residents of the County and meet certain criteria. The Commission will be responsible for approving a financial recovery plan that eliminates the fiscal emergency conditions, balances the budget and avoids future deficits.

NOTE 26 - FISCAL EMERGENCY (Continued)

In accordance with Ohio Revised Code Section 118.06, the County is required to submit to the Commission a financial recovery plan which outlines the measures to be taken to eliminate the fiscal emergency conditions. The Commission approved the initial recovery plan in April 2010.

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 Developmental Disabilities a primary partner in providing services to individuals with mental retardation and developmental disabilities in Scioto County.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of the revenues, expenses, gains, losses and other changes in net 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.'s capital assets at December 31, 2011, follows:

Machinery and Equipment	\$256,082
Less: Accumulated Depreciation	<u>(206,511)</u>
Total Capital Assets (Net)	<u><u>\$49,571</u></u>

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

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.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 27 - DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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, 2011, follows:

Land	\$365,737
Construction in Progress	46,900
Land Improvements	1,015,469
Buildings	1,693,927
Machinery and Equipment	167,709
Vehicles	95,500
Less: Accumulated Depreciation	<u>(1,116,493)</u>
Total Capital Assets (Net)	<u><u>\$2,268,749</u></u>

NOTE 28 – SUBSEQUENT EVENTS

On May 10, 2012, the County Commissioners approved communication from the Ohio Public Works Commission (OPWC) for a grant/loan in the amount of \$410,285 for a Highway Improvements Project.

On May 15, 2012, the County Commissioners approved an OPWC Project for a grant/loan in the amount of \$773,858 for a Bridge Replacement/Road Improvement Project.

**SCIOTO COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
<i>Passed through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5111 / G-1213-11-0111	10.561	\$ 589,956
<i>Passed through Ohio Water Development Authority</i>			
Water and Waste Disposal Systems for Rural Communities	5083	10.760	129,000
ARRA-Water and Waste Disposal Systems for Rural Communities	5082 5075 5903	10.781	350,075 404,800 348,692
Total ARRA - Water and Waste Disposal Systems for Rural Communities			<u>1,103,567</u>
Total U.S. Department of Agriculture			1,822,523
<u>UNITED STATES DEPARTMENT OF COMMERCE</u>			
<i>Direct from the Economic Development Administration</i>			
Economic Adjustment Assistance	N/A	11.307	<u>484,236</u>
Total U.S. Department of Commerce			484,236
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants/State's Program			
Community Development Program	B-F-09-1CP-1	14.228	49,796
Community Development Program	B-F-10-1CP-1		301,672
Community Housing Improvement Program	B-C-10-1CP-1		78,724
Economic Development Program	B-E-07-1CP-1		285,458
CDBG Revolving Loan	N/A		150,207
<i>Passed through Vinton County, Ohio:</i>			
Neighborhood Stabilization Program (NSP-1)	B-Z-08-075-1	14.228	<u>41,800</u>
Total Community Development Block Grants/State's Program			907,657
<i>Passed through the Ohio Department of Development</i>			
Home Investment Partnerships Program	B-C-10-1CP-2	14.239	93,761
<i>Passed through Gallia-Meigs Community Action Agency</i>			
ARRA - Neighborhood Stabilization Program (NSP-2)	N-U-09-833-1	14.256	<u>19,090</u>
Total U.S. Department of Housing and Urban Development			1,020,508
<u>UNITED STATES DEPARTMENT OF THE INTERIOR</u>			
<i>Direct from the Federal Government</i>			
Payments in Lieu of Taxes	N/A	15.226	<u>3,850</u>
Total U.S. Department of the Interior			3,850
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>			
<i>Direct from the United States Department of Justice, Bureau of Justice Assistance</i>			
Public Safety Partnerships and Community Policing Grants	2009CKWX0170	16.710	43,679
<i>Direct from the United States Marshals Service</i>			
Equitable Sharing Program	N/A	16.922	23,885
Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster:			
<i>Passed through the City of Portsmouth, Ohio</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2007-F2663-OH-DJ 2009-DJ-BX-1480	16.738	608 10,140
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	2009-SB-B9-0988	16.804	<u>3,399</u>
Total Passed Through The City of Portsmouth, Ohio			14,147

**SCIOTO COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF JUSTICE (Continued)</u>			
<i>Passed through the Ohio Department of Public Safety, Office of Criminal Justice Services</i>			
Ohio Prescription Drug Grant	2009-JG-OPD-3733	16.738	\$ 14,694
Edward Byrne Memorial Justice Assistance Grant Program	2009-JG-COV-V6885	16.738	500
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States	2009-RA-D01-2190	16.803	<u>5,030</u>
Total Passed Through the Ohio Department of Public Safety, Office of Criminal Justice Services			<u>20,224</u>
Total Edward Byrne Memorial Justice Assistance Grant (JAG) Program Cluster			<u>34,371</u>
Total U.S. Department of Justice			101,935
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-1410 3-39-0069-1511	20.106	7,086 <u>91,618</u>
Total Airport Improvement Program			98,704
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID90247 PID87270 PID88870 PID85682 PID91372 PID91381 PID91370	20.205	300,000 101,409 14,135 130,854 440,524 74,448 <u>56,471</u>
Total Highway Planning and Construction			1,117,841
Formula Grants for Other Than Urbanized Areas	RPT-4073-029-111 RPT-0073-031-112	20.509	337,033 <u>54,051</u>
Total Formula Grants for Other Than Urbanized Areas			<u>391,084</u>
Total Passed Through Ohio Department of Transportation			1,508,925
<i>Passed Through Ohio Department of Public Safety - Office of Criminal Justice Services</i>			
State and Community Highway Safety	HVEO-2011-73-00-00-00555-00 HVEO-2012-73-00-00-00344-00	20.600	23,751 <u>5,533</u>
Total State and Community Highway Safety			<u>29,284</u>
Total U.S. Department of Transportation			1,636,913
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
<i>Passed through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education- Grants to States	078063-6BSF-2011 078063-6BSF-2012	84.027	47,868 <u>20,211</u>
			68,079
ARRA - Special Education- Grants to States	078063- 6BSF-2011	84.391	<u>12,504</u>
Total Special Education- Grants to States			80,583
Special Education- Preschool Grants	078063-PGS1-2011 078063-PGS1-2012	84.173	8,224 <u>3,531</u>
Total Special Education- Preschool Grants			<u>11,755</u>
Total Special Education Cluster			<u>92,338</u>
Total Passed through the Ohio Department of Education			92,338
<i>Passed through Ohio Department of Health</i>			
Special Education-Grants for Infants and Families	73-6-001-1-IHO-411 73-1-001-1-IHO-112	84.181	24,100 <u>9,890</u>
Total Special Education - Grants for Infants and Families			<u>33,990</u>

**SCIOTO COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</u>			
<i>Passed through Ohio Rehabilitation Services Commission</i>			
Vocational Rehabilitation Grants to States	N/A 12F401VRP3	84.126	\$ 10,419 <u>7,929</u> 18,348
Total Vocational Rehabilitation Grants to States			<u>18,348</u>
Total United States Department of Education			144,676
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed through the Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	G-1011-11-5111 / G-1213-11-0111	93.556	60,095
Child Support Enforcement	G-1011-11-5110 / G-1213-11-0110	93.563	643,287
Community-Based Child Abuse Prevention Grants	G-1011-11-5111	93.590	1,877
Child Welfare Services-State Grants	G-1011-11-5111 / G-1213-11-0111	93.645	121,701
Foster Care Title IV-E	G-1011-11-5111 / G-1213-11-0111	93.658	686,187
ARRA-Foster Care Title IV-E	G-1011-11-5111 / G-1213-11-0111	93.658	7,666
Adoption Assistance	G-1011-11-5111 / G-1213-11-0111	93.659	234,955
ARRA-Adoption Assistance	G-1011-11-5111	93.659	72
Chafee Foster Care Independence Program	G-1011-11-5110 / G-1213-11-0110	93.674	26,118
Social Services Block Grant	G-1011-11-5110 / G-1213-11-0110	93.667	327,631
Temporary Assistance for Needy Families (TANF)	G-1011-11-5110 / G-1213-11-0110	93.558	2,744,810
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	G-1011-11-5110 / G-1213-11-0110	93.575	61,407
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5110 / G-1213-11-0110	93.596	113,322
Total Child Care and Development Fund Cluster			<u>174,729</u>
Medical Assistance Program	G-1011-11-5110 / G-1213-11-0110	93.778	<u>993,679</u>
Total Passed through the Ohio Department of Job and Family Services			6,022,807
<i>Passed through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	2011	93.667	48,490
Medical Assistance Program - Medicaid Administrative Claiming (MAC)	N/A	93.778	130,699
ARRA- Medical Assistance Program- Enhanced Federal Medical Assistance Program	N/A	93.778	<u>52,837</u>
Total Passed through the Ohio Department of Developmental Disabilities			232,026
<i>Passed through the Ohio Department of Health</i>			
Universal Newborn Hearing Screening	73-6-001-1-IHO-410 73-1-001-1-IHO-112	93.251	3,381 <u>2,955</u> 6,336
Total Universal Newborn Hearing Screening			<u>6,336</u>
CDC_Investigations, Technical Assistance, and Affordable Care Act Projects	73-1-001-1-IHO-112	93.283	570
Maternal and Child Health Service Block Grant to the States	73-6-001-1-IHO-410 73-1-001-1-IHO-112	93.994	3,508 <u>40</u> 3,548
Total Maternal and Child Health Service Block Grant to the States			<u>3,548</u>
Total Passed through the Ohio Department of Health			<u>10,454</u>
Total United States Department of Health and Human Services			6,265,287
<u>UNITED STATES EXECUTIVE OFFICE OF THE PRESIDENT</u>			
<i>Passed through the City of Shaker Heights, Ohio</i>			
High Intensity Drug Trafficking Areas Program	G09OH0001A	95.001	<u>1,872</u>
Total United States Executive Office of the President			1,872
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through the Ohio Emergency Management Agency, Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4002-DR-145-05957 FEMA-4002-DR-145-99145	97.036	637,193 <u>19,593</u> 656,786
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>656,786</u>

**SCIOTO COUNTY
FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

FEDERAL GRANTOR/ Pass Through Grantor/ Program Title	Pass Through Entity's Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY (Continued)</u>			
<i>Passed through the Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	2010-EP-00-0003 EMW-2011-EP-00003-S01	97.042	\$ 17,784 <u>19,477</u>
Total Emergency Management Performance Grants			<u>37,261</u>
Homeland Security Grant Program	2008-GE-T8-0025 2010-SS-T0-0012	97.067	2,000 <u>80,087</u>
Total Homeland Security Grant Program			<u>82,087</u>
Total Passed through the Ohio Emergency Management Agency			119,348
<i>Passed through the West Virginia Public Port Authority</i>			
Port Security Grant Program	2007-GB-T7-K282	97.056	<u>61,165</u>
Total U.S. Department of Homeland Security			<u>837,299</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 12,319,099</u>

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

SCIOTO COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The Schedule reports loans made and administrative costs as disbursements on the Schedule. The County uses loan repayments and interest received to make additional loans, which the Schedule also reports. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property and by equipment.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011:	\$67,549
Loans made	0
Loan principal repaid	(6,339)
Ending loans receivable balance as of December 31, 2011:	<u>\$61,210</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$9,519
Administrative costs expended during 2011	207
Total Value of RLF Portion of the CDBG Program	<u>\$70,936</u>
2011 RLF Expenditure of Grant to Infra-Metals for Off-site Infrastructure Project	150,000
Other Grants Administered through the CFDA # 14.228 Program	<u>757,450</u>
Total CDBG CFDA # 14.228 Program:	\$978,386
Delinquent Amounts Due as of December 31, 2011:	\$61,210

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2011, the County estimates \$4,506 to be uncollectible. In addition, the County has an Ohio Small Cities Community Development Block Grant (CDBG) Housing Program Income Account. The cash balance on hand in the account at December 31, 2011 was \$6,359. There were no receipts or expenditures from the account during 2011.

NOTE C – MATCHING REQUIREMENTS

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

SCIOTO COUNTY

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE D – UNITED STATES DEPARTMENT OF AGRICULTURE LOANS

The County received four loans for interim financing from the Ohio Water Development Authority. Three loans (e.g. loans #5075, 5082 and 5903) relate to ARRA-Water and Waste Disposal Systems for Rural Communities (CFDA #10.781) while the remaining loan (e.g. loan #5083) relates to Water and Waste Disposal Systems for Rural Communities (CFDA #10.760). The expenditures related to these loans occurred in 2009, 2010 and 2011 and have not previously been reported on the Schedule. Loan expenditure activity related to each year is as follows:

Loan #	2009	2010	2011	Total
5075	\$1,412	\$403,388	\$0	\$404,800
5082	79,054	271,021	0	350,075
5903	0	0	348,692	348,692
5083	129,000	0	0	129,000
total:	\$211,475	\$676,419	\$350,703	\$1,232,567

NOTE E - OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES (DODD) ADJUSTMENT

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA #93.778) in the amount of \$198,963. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the Schedule since the underlying expenses occurred in prior reporting periods.



Dave Yost • 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 11, 2012, wherein we noted the County is experiencing financial difficulties. In addition, on August 19, 2009, the Auditor of State determined a fiscal emergency existed, and a financial planning and supervision commission assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Revised Code. We also noted the Auditor of State served during the year ended December 31, 2011 as Scioto County's financial supervisor under Ohio Rev. Code §118.05(G). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit Scioto County because the Auditor of State may assume broad management powers, duties and functions under Ohio Rev. Code §118.04. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Furthermore, we noted the County implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which resulted in restatements. We also noted a restatement of governmental activities' depreciable capital assets. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 and 2011-02 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 through 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 11, 2012.

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, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

September 11, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of Scioto County's major federal programs for the year ended September 11, 2012. 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.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 2011-04 through 2011-05 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles and reporting applicable to its Economic Adjustment Assistance CFDA #11.307 major federal program. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to this program.

As described in Findings 2011-06 through 2011-07 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding activities allowed or unallowed, allowable costs/cost principles and cash management applicable to its Community Development Block Grant/State's Program CFDA #14.228 major federal program. 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 paragraphs, Scioto County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists these instances as Findings 2011-03 and 2011-08.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-03 through 2011-09 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 also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 11, 2012.

Scioto County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 3

We intend this report solely for the information and use of management, the Board of County Commissioners, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 11, 2012

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SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – Economic Adjustment Assistance CFDA #11.307 Qualified - Community Development Block Grants/State's Program CFDA # 14.228 Unqualified - All others
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - CFDA #10.561 ARRA-Water and Waste Disposal Systems for Rural Communities - CFDA #10.781 Economic Adjustment Assistance - CFDA #11.307 Community Development Block Grants/State's Program - CFDA #14.228 Temporary Assistance for Needy Families - CFDA # 93.558

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

(d)(1)(vii)	Major Programs (list) (Continued):	Child Care and Development Fund Cluster - CFDA #s 93.575 and 93.596 Foster Care Title IV-E - CFDA #93.658 ARRA-Foster Care Title IV-E - CFDA #93.658 Adoption Assistance - CFDA #93.659 ARRA-Adoption Assistance - CFDA #93.659 Social Services Block Grant - CFDA #93.667 Medical Assistance Program - CFDA # 93.778 Medical Assistance Program-Medicaid Administrative Claiming (MAC) – CFDA #93.778 ARRA-Medical Assistance Program-Enhanced Federal Medical Assistance Program – CFDA #93.778 Disaster Grants-Public Assistance (Presidentially Declared Disasters) - CFDA #97.036
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 370,049 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-01

Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit

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 Recorder's 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 note 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 receivable 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. On September 17, 2008, the County paid \$25,000 against the \$475,000 note and refinanced the remaining \$450,000 into a new note. On September 22, 2009, the County paid an additional payment of \$25,000 and refinanced the remaining \$425,000 into a new note. On September 28, 2010, the County paid another payment of \$25,000 and refinanced the remaining \$400,000 into a new note. On September 8, 2011, the County made an additional payment of \$25,000 and refinanced the remaining \$375,000 into a new note.

As a result, a Finding for Adjustment is hereby issued against the General Fund in the amount of \$375,000 and in favor of the General Purpose Bond Fund (Fund 413).

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-01 (Continued)

Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit (Continued)

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 County is aware of the finding and can only pay into the General Purpose Bond Fund as funds become available. As you know, the County is in fiscal emergency and has to eliminate the remaining deficit before it can deal with this issue.

FINDING NUMBER 2011-02

Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established.

The Scioto County Commissioners entered into a twenty year lease/purchase agreement for an Energy Conservation Project on the Scioto County Courthouse and Job and Family Services building on March 14, 2006. The percentage breakdown of the project was determined to be 64.53% for the Scioto County Courthouse and 35.47% for the Job and Family Services building. Based on these percentages, the semi-annual lease payments of \$78,303 were to be paid \$50,529 from the General Fund and \$27,774 from the Public Assistance Fund (Fund 218).

During 2007, the County paid \$121,830 of these semi-annual lease payments from the MRDD Capital Projects Fund (Fund 503). The remaining \$34,776 was paid from the correct funds. Based on this, the General Fund and the Public Assistance Fund owe the MRDD Capital Projects Fund \$78,617 (\$121,830 times 64.53%) and \$43,213 (\$121,830 times 35.47%), respectively.

During 2008, the County paid \$78,303 of these semi-annual lease payments from the MRDD Fund (Fund 231) and \$70,987 from the Public Assistance Fund. At December 31, 2008, \$7,316 of the semi-annual lease payments for 2008 remained unpaid but was paid from the General Fund in 2009. Based on this, the General Fund and the Public Assistance Fund owe the MRDD Fund \$50,529 (\$78,303 times 64.53%) and \$27,774 (\$78,303 times 35.47%), respectively. The General Fund also owes the Public Assistance Fund \$43,213 (\$70,987 minus \$27,774).

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 advances to other funds in the General Fund and Public Assistance Fund and advances from other funds in the MRDD Fund (includes both Fund 231 and Fund 503).

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation/Finding for Adjustment/Material Weakness – Not Adjusted from Previous Audit (Continued)

As a result, Findings for Adjustment are hereby issued against the following: General Fund in the amount of \$78,617 in favor of the MRDD Capital Projects Fund (Fund 503); General Fund in the amount of \$50,529 in favor of the MRDD Fund (Fund 231); General Fund in the amount of \$43,213 in favor of the Public Assistance Fund (218); Public Assistance Fund in the amount of \$27,774 in favor of the MRDD Capital Projects Fund (Fund 503); and the Public Assistance Fund in the amount of \$27,774 in favor of the MRDD Fund (Fund 231).

We recommend the County make lease payments from the appropriate funds.

Officials' Response: The County is aware of this issue and can only pay these entities as funds become available since the County is currently in fiscal emergency.

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2011-03
CFDA Title and Number	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
Federal Award Number / Year	G-1011-11-5111, G-1213-11-0111
Federal Agency	United States Department of Agriculture, United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

Noncompliance Citation/Material Weakness/Questioned Cost

2 C.F.R. Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Department of Job and Family Services). Such leases included, but are not limited to, those between divisions of a governmental unit. 2 C.F.R. Part 225 App.B Section 37.b indicates the allowable amounts to be considered had the County Job and Family Services held title to the property include expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 C.F.R. Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in Section 23.b (1) through (4) of the appendix.

Additionally, Ohio Admin. Code Section 5101:9-4-11(A) states, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 C.F.R. Part 225.

The Scioto County Job and Family Services department leases a facility from Scioto County Board of Commissioners. Since both parties are divisions of the same governmental unit, this lease agreement constitutes a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 C.F.R. Part 225, App. B Section 37.c.

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03 (Continued)
CFDA Title and Number	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
Federal Award Number / Year	G-1011-11-5111, G-1213-11-0111
Federal Agency	United States Department of Agriculture, United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

Noncompliance Citation/Material Weakness/Questioned Cost (Continued)

During 2011, a total of \$162,606 of rental payments was paid by the Scioto County Job and Family Services department to the Scioto County Board of Commissioners. Maintenance is paid directly by the County Job and Family Services department, and insurance is part of the Cost Allocation Plan. Therefore, maintenance and insurance are not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$3,066,869
Expected Useful Life of the Asset	50 Years
Annual Depreciation Calculation:	\$61,338
Annual Interest on Building Bond (2011)	<u>17,774</u>
Total Allowable Rental Cost	\$79,112
Total Rent Paid by Scioto County JFS	<u>\$162,606</u>
Unallowable rental costs (questioned costs)	<u><u>\$83,494</u></u>

The \$83,494 excess cost was allocated through an indirect cost pool to the Job and Family Service departments federally funded programs as noted in the following table. Of the \$83,494 allocated to the individual programs, \$53,107 was funded from Federal dollars and the remaining \$30,387 was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-03 (Continued)
CFDA Title and Number	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), CFDA #10.561; Medical Assistance Program, CFDA# 93.778; Temporary Assistance for Needy Families (TANF), CFDA #93.558; Child Care and Development Fund Cluster, CFDA #93.575, 93.596; Social Services Block Grant, CFDA #93.667; Child Support Enforcement, CFDA #93.563
Federal Award Number / Year	G-1011-11-5111, G-1213-11-0111
Federal Agency	United States Department of Agriculture, United States Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services, Ohio Department of Developmental Disabilities

Noncompliance Citation/Material Weakness/Questioned Cost (Continued)

Grant	CFDA #	Total Excess Rent by Program	Excess Rent Funded from Federal Programs Dollars
SNAP	10.561	\$12,969	\$6,565
Medical Assistance Program	93.778	17,914	8,957
TANF	93.558	32,875	32,875
Child Care and Development Fund Cluster	93.575, 93.596	2,904	2,904
Social Services Block Grant	93.667	5,512	1,806
Child Support Enforcement	93.563	11,320	0
Total Unallowable Rental Costs		\$83,494	\$53,107

The excess rent paid with TANF dollars are in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133 § .510(a)(3).

The Board of County Commissioners should modify the building lease agreement with the County JFS so that the lease amount will not exceed the amount allowed in accordance with applicable requirements.

Officials' Response: The architect's original estimated useful life of the building was 20 years. When the County's asset appraisal was completed by an outside company several years ago, the building was given a useful life of 50 years, which was inconsistent with the architect's original estimated useful life. The County has since changed the useful life of the building to 20 years in its asset management system, which is consistent with the architect's original estimated useful life and the term of the lease. The final year of the lease was 2011, and the bond used to fund the building is now paid off. The total of the lease payments made over the 20 year lease period is now equal to the depreciation and interest expense on the building for the same 20 year period.

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-04
CFDA Title and Number	Economic Adjustment Assistance, CFDA # 11.307
Federal Award Number / Year	N/A
Federal Agency	United States Department of Commerce
Pass-Through Agency	N/A

Noncompliance Citation/Material Weakness/Questioned Cost – Activities Allowed or Unallowed/ Allowable Costs/Cost Principles

13 C.F.R. Section 307.12(a) states that Revolving Loan Fund (RLF) Income must be placed into the RLF Capital base for the purpose of making loans or payment for eligible and reasonable costs associated with the RLF's operations. RLF Income may fund administrative costs, provided:

- Such RLF Income and the administrative costs are incurred in the same six-month reporting period;
- RLF Income that is not used for administrative costs during the six-month reporting period is to be made available for lending activities;
- RLF Income shall not be withdrawn from the RLF Capital base in a subsequent reporting period for any purpose other than lending without the prior written consent of EDA; and
- The RLF recipient completes an RLF Income and Expense Statement as required under 13 C.F.R. Section 307.14(c).

For the period of October 1, 2010 through March 31, 2011, administrative expenses exceeded RLF income by \$2,759. For the period of April 1, 2011 through September 30, 2011, administrative expenses exceeded RLF income by \$18,798. This resulted in \$21,557 of RLF capital for lending being used for administrative expenses without prior approval of the EDA which is considered unallowable and are considered questioned costs as well.

We recommend the County's RLF Manager monitor administrative expenses to ensure that they do not exceed RLF income. If it becomes apparent that this may occur, the County's RLF Manager should obtain written consent from EDA to use the RLF capital to cover the administrative expenses.

Officials' Response: As indicated in Scioto County's 2010 Officials' Response to Finding Number 2010-07, we are continuing our efforts to contact the Economic Development Administration (EDA) on a monthly basis. Some months, there has been more than one attempt made to contact this agency and its director. At this time, Scioto County has received no contact or guidance from EDA. Receiving no response from EDA, and, therefore, without being able to establish a mutually agreeable starting fund balance between Scioto County and the EDA, it is virtually impossible to go back over a 33 year period and determine the specific dollar amount for what was spent toward administrative expenses. By having these figures, Scioto County would be able to determine whether we have – or have not- violated the allowable costs portion of EDA's guidelines. Without those historical figures, and, due to the variance in the amount of expenditures for each fiscal year, maintaining an accurate record of allowable and unallowable expenditure amounts would prove impossible at this point in time.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-04 (Continued)
CFDA Title and Number	Economic Adjustment Assistance, CFDA # 11.307
Federal Award Number / Year	N/A
Federal Agency	United States Department of Commerce
Pass-Through Agency	N/A

Auditor of State's Analysis: The Auditor of State is not responsible for making management decisions or performing management functions. Under OMB Circular A-133, Subpart C, §__.300, paragraphs (b) and (c), it is the auditee's responsibility to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, it is the auditee's responsibility to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. We recommend the County work diligently with the Economic Development Administration to try to resolve this matter.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-05
CFDA Title and Number	Economic Adjustment Assistance, CFDA # 11.307
Federal Award Number / Year	N/A
Federal Agency	United States Department of Commerce
Pass-Through Agency	N/A

Noncompliance Citation/Material Weakness – Reporting

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) recipients must complete and submit a semi-annual report (Form ED-209) in electronic format, unless EDA approves a paper submission. RLF recipients must certify as part of the semi-annual report to the Economic Development Administration (EDA) that the RLF is operating in accordance with the applicable RLF Plan. RLF recipients also must describe any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool. An RLF recipient using either fifty percent or more (or more than \$100,000) of RLF Income for administrative costs in a six month reporting period must submit to EDA a completed Income and Expense Statement (Form ED-209I) for that reporting period in electronic format, unless EDA approves a paper submission. Semi-annual reports are required to be submitted to EDA within thirty days of the end of the period.

13 C.F.R. Section 307.16(b)(1) states that RLF recipients shall promptly inform EDA in writing of any condition that may adversely affect their ability to meet the prescribed schedule deadlines. RLF recipients must submit a written request to EDA for continued use of grant funds beyond a missed deadline. The RLF recipient must provide good reason for the delay in their extension requests by demonstrating that:

- (i) The delay was unforeseen or beyond the control of the RLF recipient;
- (ii) The financial need for the RLF still exists;
- (iii) The current and planned use and the anticipated benefits of the RLF will remain consistent with the RLF Plan; and
- (iv) The proposal of a revised time schedule is reasonable. An extension request must also provide an explanation as to why no further delays are anticipated.

13 C.F.R. Section 307.16(b)(2) states that EDA is under no obligation to grant a time extension and in the event an extension is denied, EDA may deobligate all or part of the unused grant funds and terminate the grant.

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-05 (Continued)
CFDA Title and Number	Economic Adjustment Assistance, CFDA # 11.307
Federal Award Number / Year	N/A
Federal Agency	United States Department of Commerce
Pass-Through Agency	N/A

Noncompliance Citation/Material Weakness – Reporting (Continued)

The County did not file the semi-annual report for the period ending March 31, 2011 with EDA until September 30, 2011. The County requested, and received, filing extensions for these reports through November 30, 2011 and December 31, 2011, respectively; however, they still had not submitted the reports as of June 1, 2012. As indicated in the extension requests, the County RLF Manager was unable to obtain accurate historical financial information regarding the EDA grants that were received by the County on September 28, 1978, August 3, 1979 and September 19, 1980 and were subsequently loaned to businesses. The semi-annual reports required the input of RLF Income earned to date which included all interest earned on loans and interest earned on deposit accounts as well as total portion of RLF Income used for administrative expenses since 1979 in order to calculate the RLF Income added to the capital base for lending. Due to flooding at the Courthouse on two separate occasions, a large portion of the County's RLF records had to be destroyed for health reasons. The County's RLF Manager corresponded with EDA on numerous occasions and was instructed to not submit the semi-annual report until they could work together to arrive at accurate financial information to input in the report.

We recommend the County's RLF Manager continue to obtain written extensions from the EDA when it becomes apparent that the County will not be able to file the semi-annual report with EDA within 30 days of the end of the period. We further recommend the County continue its efforts to obtain accurate data regarding the grants and loans for input in the semi-annual report and attempt to get these up to date as soon as possible.

Officials' Response: As indicated in Scioto County's 2010 Officials' Response to Finding 2010-07, we are continuing our efforts to contact the Economic Development Administration (EDA) on a monthly basis. Some months, there has been more than one attempt made to contact this agency and its director. As of September 4, 2012, Scioto County has received no contact or guidance from EDA.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2011

(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-05 (Continued)
CFDA Title and Number	Economic Adjustment Assistance, CFDA # 11.307
Federal Award Number / Year	N/A
Federal Agency	United States Department of Commerce
Pass-Through Agency	N/A

Officials' Response: (Continued)

Scioto County continues to work diligently in an effort to obtain EDA's assistance in regard to the Semi-Annual Reports, which Scioto County has been required to submit to EDA twice a year. The Scioto County RLF Office has on file, copies of e-mails, letters, faxes and phone calls dated from April 27, 2010 to September 4, 2012 requesting that EDA please contact Scioto County with some sort of assistance and guidance as to how they wish us to proceed in regard to these reports. As you will recall from Scioto County's 2010 audit response, it was EDA who specifically directed Scioto County NOT to submit any Semi-Annual Reports until they had a chance to work with us to get our financial figures more in line with theirs and to establish a good "starting figure" in which to begin the reports. To date, we have received no response from EDA. Scioto County has also asked EDA many, many times to advise us as to whether or not we should be filing "official" extension requests with EDA through their new reporting system as it has become quite obvious that Scioto County's Semi-Annual Reports have not been submitted on time for over 2 years. As with the other correspondence with EDA, Scioto County's requests have went unanswered and we have never received a response as to the need for the filing of official extension requests on a regular basis.

At this time, Scioto County continues its efforts to contact and work with EDA to get all records, reports, etc. up to date and current – as was EDA's desire in the very beginning. However, EDA has ignored all attempts by Scioto County to bring these matters to a mutually agreeable conclusion. It is our position that we will continue our regular attempts to contact EDA and to acquire their assistance in working with Scioto County to finally get all of our financial figures on the "same page" so that we can move forward and begin a regular schedule of submitting all Semi-Annual Reports.

Auditor of State's Analysis: The Auditor of State is not responsible for making management decisions or performing management functions. Under OMB Circular A-133, Subpart C, §__.300, paragraphs (b) and (c), it is the auditee's responsibility to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Additionally, it is the auditee's responsibility to comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. We recommend the County work diligently with the Economic Development Administration to try to resolve this matter.

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-06
CFDA Title and Number	Community Development Block Grants/State's Program CFDA # 14.228
Federal Award Number / Year	B-E-07-1CP-1, B-Z-08-075-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development; Vinton County, Ohio

**Noncompliance Citation/Material Weakness/Questioned Cost – Activities Allowed or Unallowed/
Allowable Costs/Cost Principles**

OBM Circular A-87 (codified in 2 C.F.R. Part 225) (A-87) establishes principles and standards for determining allowable direct and indirect for Federal awards. OBM Circular A-87, Attachment A, Paragraph C.1 outlines the guidance for an expenditure to be allowable under Federal awards. It states costs must meet the following general criteria to be allowable:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Appendix A, paragraph C.2 for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Appendix A, paragraph C.3 for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Appendix A, paragraph C.4 for additional information on applicable credits.)

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-06 (Continued)
CFDA Title and Number	Community Development Block Grants/State's Program CFDA # 14.228
Federal Award Number / Year	B-E-07-1CP-1, B-Z-08-075-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development; Vinton County, Ohio

**Noncompliance Citation/Material Weakness/Questioned Cost – Activities Allowed or Unallowed/
Allowable Costs/Cost Principles (Continued)**

(j) Be adequately documented.

Also, Section 25.i of the State of Ohio Small Cities Community Development Block Grant (CDBG) Agreement, states that any rights, duties, or obligations described in the agreement shall not be assigned, subcontracted, or subgranted by the Grantee without prior expression written consent of the Grantor. This section thus, prohibits the County from having subrecipients of their CDBG grants or giving any obligations they have to another entity for the CDBG grants.

However, during testing we found that the County entered into agreements (without prior approval of the Ohio Department of Development) with two different entities (Southern Ohio Port Authority and Southern Ohio Shelter) where the County paid the entities directly and the entities then took care of the bidding process and payment of the contractors themselves. This violated the agreement the County had with the Ohio Department of Development.

The County made payments in total of \$308,234 to Southern Ohio Port Authority (\$275,458) and Southern Ohio Shelter (\$32,776). These payments were unallowable according to the County's grant agreement. The payments should have been made directly to a vendor, not to a pass through entity such as these. Thus, the \$308,234 is not considered allowable and is also considered questioned costs.

We recommend the County not enter into any subrecipient relationships with entities. All expenditures for projects should be handled directly by the County and paid directly to the contractors to be compliant with their grant agreement.

Officials' Response: Fritz Leighty, Federal and State Grant Projects Consultant to Scioto County, indicated that sub-recipient agreements were made with the Southern Ohio Port Authority and the Southern Ohio Shelter with the approval of the funding agency. The funds for the Southern Ohio Port Authority were paid to the contractors. The Southern Ohio Port Authority's attorney supervised payments made to those contractors. The funds for the Southern Ohio Shelter were a small part of several other sources of funds for that project, and those monies were paid to contractors by the Shelter.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2011

(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-07
CFDA Title and Number	Community Development Block Grants/State's Program CFDA # 14.228
Federal Award Number / Year	B-E-07-1CP-1, B-F-10-1CP-1, B-C-10-1-CP-1, B-Z-08-075-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation/Material Weakness – Cash Management

24 C.F.R. 85.21 subsection (c) indicates grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. As provided in subsection (h)(2)(i), except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

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.

During testing, we noted 100% of draw downs were not disbursed to a balance of less than \$5,000 within fifteen days of receipt.

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: This is an ongoing issue, and the County attempts to comply, but, due to the manner that funds are drawn from the Ohio Department of Development, it is not always possible to comply with this rule.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OMB CIRCULAR A-133 § .505

DECEMBER 31, 2011

(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2011-08
CFDA Title and Number	Community Development Block Grants/State's Program CFDA # 14.228
Federal Award Number / Year	B-F-09-1CP-1, B-F-10-CP-1, B-C-10-1CP-1, B-E-07-1CP-1, B-Z-08-075-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development; Vinton County, Ohio

Noncompliance Citation/Material Weakness

24 C.F.R Sections 91.115 and 570.486 require, prior to the submission to United States Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to HUD that it has met the citizen participation requirements.

The Housing and Economic Recovery Act of 2008 (HERA) provided for supersession of the citizen participation requirement to expedite the distribution of Neighborhood Stabilization Program (NSP) grant funds and to provide for expedited citizen participation. The provisions of 24 CFR sections 570.485 and 570.486 with respect to following the citizen participation plan are waived to allow the jurisdiction to provide no fewer than 15 calendar days for citizen comment, rather than 30 days, for its initial NSP submission (Section II.B.4 of NSP Notice, 73 FR 58334).

The County could not provide a copy of their Citizen Participation Plan. Thus, we could not test if the County did comply with its own plan.

We recommend the County develop a Citizen Participation Plan in accordance with the guidance stated above. Furthermore, the County should maintain a copy of the plan.

Officials' Response: Fritz Leighty, Federal and State Grant Projects Consultant to Scioto County, indicated that there was a Citizen Participation Plan submitted to the state for this project. He indicated that the project would not have been allowed to proceed without one. However, Mr. Leighty did say that Scioto County's copy of that plan cannot be located. If necessary, Mr. Leighty indicated that he could re-write it.

SCIOTO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2011-09
CFDA Title and Number	Community Development Block Grants/State's Program CFDA # 14.228
Federal Award Number / Year	N/A
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Material Weakness – Reporting

Testing of the Federal Schedule and Community Development Block Grant revealed discrepancies in the beginning and ending balances in the Revolving Loan Fund. The County Auditor records revolving loan activity in Fund 211. The County Revolving Loan Fund (RLF) Manager also records activity separately using a Semi-Annual Report which reflects beginning balance, receipts, disbursements and ending balance for a six month period. The inaccuracies in reported balances between the County Auditor and the RLF Semi-Annual Reports could lead to decreased federal funding.

The following reflects the discrepancies reported during 2011 between the County Auditor and the RLF Semi-Annual Reports:

	County Auditor's Office	RLF Semi- Annual Reports	Variance
January 1, 2011 Balance	\$149,078	\$276,600	\$127,522
Receipts	10,648	10,648	0
Disbursements	150,207	150,207	0
December 31, 2011 Balance	<u>\$9,519</u>	<u>\$137,041</u>	<u>\$127,522</u>

We recommend the County RLF Manager and the County Auditor's Office at Scioto County correspond to review the discrepancies in reporting that have resulted in the account balance variances noted above for the Revolving Loan Fund and make the necessary adjustments to accurately report the Revolving Loan Fund balances at both departments.

Officials' Response: The RLF Manager has attempted to put together accurate records for the loan fund. As noted in last year's response, many of the older records were destroyed due to water damage. The RLF Manager has put together as much information as possible. However, it is not a complete financial picture of the complete history of the Revolving Loan Program. The County will follow your recommendation and bring together the RLF Manager and the County Auditor's Office in an attempt to deal with this issue.

SCIOTO COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.315(b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	A Finding for Adjustment was issued under Ohio Rev. Code Section 133.22(A)(1)(a) for using capital improvement bond anticipation note proceeds for short term expenses.	No	Not Corrected. Reissued as Finding Number 2011-01.
2010-02	A citation was issued under Ohio Rev. Code Section 5705.10(H) for making lease payments from incorrect funds	No	Not Corrected. Reissued as Finding Number 2011-02.
2010-03	A citation was issued under Ohio Rev. Code Section 5705.36(A)(4) for not obtaining a reduced amended certificate of estimated resources and not reducing appropriations when budgeted revenues greatly exceeded actual revenues.	No	Not Corrected. However, this was not reissued since the County is in fiscal emergency.
2010-04	A citation was issued under Ohio Rev. Code Section 5705.39.	No	Not Corrected. However, this was not reissued since the County is in fiscal emergency.
2010-05	Noncompliance/questioned cost regarding rental costs allocated through the indirect cost pool to the Job and Family Services departments' federally funded programs in excess of the allowable rental costs.	No	Not Corrected. Reissued as Finding Number 2011-03.
2010-06	Noncompliance/questioned cost regarding TANF Subsidized Summer Youth Employment Program for Youth funds	No	Finding No Longer Valid. Program ended in 2010.
2010-07	Noncompliance with reporting requirement for Economic Adjustment Assistance.	No	Not Corrected. Reissued as Finding Number 2011-05.
2010-08	Noncompliance with Federal Fifteen Day Rule requirement for prompt disbursement of Community Development Block Grant funds.	No	Not Corrected. Reissued as Finding Number 2011-07.
2010-09	Material weakness with reporting of Community Development Block Grant revolving loan fund activity.	No	Not Corrected. Reissued as Finding Number 2011-09.

SCIOTO COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-01	The County will address the issue when funds are available to do so.	Unknown	Vern Riffe, III, County Commissioner
2011-02	The County will address the issue when funds are available to do so.	Unknown	Vern Riffe, III, County Commissioner
2011-03	The architect's original estimated useful life of the building was 20 years. When the County's asset appraisal was completed by an outside company several years ago, the building was give a useful life of 50 years, which was inconsistent with the architect's original estimated useful life. The County has since changed the useful life of the building to 20 years in its asset management system, which is consistent with the architect's original estimated useful life and the term of the lease. The final year of the lease was 2011, and the bond used to fund the building is now paid off. The total of the lease payments made over the 20 year lease period is now equal to the depreciation and interest expense on the building for the same 20 year period.	Unknown	David Green, County Auditor
2011-04	The County is working diligently with the Economic Development Administration to try to resolve this matter.	Unknown	Kendra Hobson, Revolving Loan Fund Manager
2011-05	The County is working diligently with the Economic Development Administration to try to resolve this matter.	Unknown	Kendra Hobson, Revolving Loan Fund Manager

SCIOTO COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
DECEMBER 31, 2011
(Continued)**

2011-06	Fritz Leighty, Federal and State Grant Projects Consultant to Scioto County, indicated that sub-recipient agreements were made with the Southern Ohio Port Authority and the Southern Ohio Shelter with the approval of the funding agency. The funds for the Southern Ohio Port Authority were paid to the contractors. The Southern Ohio Port Authority's attorney supervised payments made to those contractors. The funds for the Southern Ohio Shelter were a small part of several other sources of funds for that project, and those monies were paid to contractors by the Shelter.	Unknown	Vern Riffe, III, County Commissioner
2011-07	This is an ongoing issue, and the County attempts to comply, but, due to the manner that funds are drawn from the Ohio Department of Development, it is not always possible to comply with this rule.	12/31/12	Vern Riffe, III, County Commissioner
2011-08	Fritz Leighty, Federal and State Grant Projects Consultant to Scioto County, indicated that Scioto County's copy of the Citizen Participation Plan cannot be located. If necessary, Mr. Leighty indicated that he could re-write it.	12/31/12	Vern Riffe, III, County Commissioner
2011-09	The County will follow your recommendation and bring together the RLF Manager and the County Auditor's Office in an attempt to deal with this issue.	12/31/12	Vern Riffe, III, County Commissioner

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Dave Yost • Auditor of State

SCIOTO COUNTY FINANCIAL CONDITION

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 27, 2012