

Financial Condition
Scioto County
Single Audit
For the Year Ended December 31, 2014



Millhuff-Stang
CERTIFIED PUBLIC ACCOUNTANT

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Dave Yost • Auditor of State

Board of Commissioners
Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Scioto County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

October 8, 2015

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Scioto County, Ohio
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Independent Auditor's Report

Board of Commissioners
Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Public Assistance Fund, Motor Vehicle Gas Tax Fund, Board of Developmental Disabilities Fund, and Children Services Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, during 2014, the County implemented Governmental Accounting Standards Board (GASB) Statement 69 "Government Combinations and Disposals of Government Operations." We did not modify our opinions regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

June 17, 2015

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014.

FINANCIAL HIGHLIGHTS

The County's total net position increased \$20,008,318 during 2014. Net position of governmental activities increased \$4,243,434. Net position of the business-type activity increased \$15,764,884.

General revenues of governmental activities accounted for \$21,975,409. Program specific revenues in the form of charges for services and sales, grants, and contributions restricted to specific programs accounted for \$32,294,505.

The Sewer Enterprise Fund reflected operating income of \$6,126.

The County had \$50,026,480 in expenses related to governmental activities; \$32,294,505 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 \$21,975,409 were more than adequate to provide for these programs. The County had \$4,044,745 in expenses related to its business-type activity; all of which were offset by program specific charges for services and sales along with capital grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position and the Statement of Activities

The analysis of the County as a whole begins with the Statement of Net Position 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 position and changes to net position. This change informs the reader whether the County's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the County's financial well-being. Some of these factors include the County's tax base and the condition of capital assets.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

In the Statement of Net Position 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 Position 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 Position 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.

THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Position looks at the County as a whole. Table 1 provides a summary of the County's net position for 2014 compared to 2013.

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and						
Other Assets	\$40,500,338	\$37,358,295	\$7,486,309	\$4,518,124	\$47,986,647	\$41,876,419
Investment in						
Joint Venture	165,623	174,474	0	0	165,623	174,474
Capital Assets, Net of Depreciation	86,791,108	85,648,234	41,279,849	20,585,772	128,070,957	106,234,006
Total Assets	127,457,069	123,181,003	48,766,158	25,103,896	176,223,227	148,284,899
Deferred Outflows of Resources	191,571	0	33,946	45,263	225,517	45,263
Liabilities						
Current and Other Liabilities	2,231,092	1,981,226	3,025,102	785,057	5,256,194	2,766,283
Long-Term Liabilities:						
Due Within						
One Year	2,444,865	2,131,750	511,697	454,779	2,956,562	2,586,529
Due in More Than One Year	8,739,278	9,618,264	13,997,227	8,408,129	22,736,505	18,026,393
Total Liabilities	13,415,235	13,731,240	17,534,026	9,647,965	30,949,261	23,379,205
Deferred Inflows of Resources	6,770,493	6,230,285	0	0	6,770,493	6,230,285
Net Position						
Net Invested in Capital Assets	79,274,806	77,409,698	24,392,380	11,414,819	103,667,186	88,824,517
Restricted for:						
Debt Service	26,564	9,687	0	0	26,564	9,687
Capital Projects	876,200	643,702	0	0	876,200	643,702
Other Purposes	18,165,358	18,768,811	0	0	18,165,358	18,768,811
Unrestricted	9,119,984	6,387,580	6,873,698	4,086,375	15,993,682	10,473,955
Total Net Position	\$107,462,912	\$103,219,478	\$31,266,078	\$15,501,194	\$138,728,990	\$118,720,672

Total assets of the County's governmental activities increased \$4,276,066. The increase was mainly due to an increase of \$3,075,744 in cash and cash equivalents mostly stemming from the County's General Fund. Along with increases in revenues such as sales taxes, the County continued to monitor General Fund expenses and despite expenses increasing compared to 2013, 2014 revenues outpaced 2014 expenses, thus creating a significant increase in Cash and Cash Equivalents. Capital Assets, Net of Depreciation increased \$1,142,874 due to current year additions and construction in progress exceeding current year deletions and depreciation. The majority of the increase occurred due to additions of various infrastructure assets such as bridge and culvert replacements and street paving.

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Management's Discussion and Analysis
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There was an increase in net investment in capital assets for governmental activities of \$1,865,108 primarily due to the addition of various infrastructure assets and the retirement of debt related to capital assets. Total governmental activities net position increased \$4,243,434 due to revenues exceeding non-capitalized expenses.

There was an increase in invested in capital assets, net of related debt, for business-type activity of \$12,977,561. The increase was related to the completion of the Eden Park sewer extension project and the acquisition of the Village of South Webster's sewer system. A significant increase in construction in progress is associated with the USDA Minford Sewer System project that was not completed by the end of the year.

Table 2 shows the changes in net position for the years ended December 31, 2014, and 2013.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services and Sales	\$7,141,618	\$7,807,306	\$3,743,479	\$3,335,310	\$10,885,097	\$11,142,616
Operating Grants and Contributions	23,305,996	23,099,390	0	0	23,305,996	23,099,390
Capital Grants and Contributions	1,846,891	2,432,632	14,616,103	890,508	16,462,994	3,323,140
Total Program Revenues	<u>32,294,505</u>	<u>33,339,328</u>	<u>18,359,582</u>	<u>4,225,818</u>	<u>50,654,087</u>	<u>37,565,146</u>
General Revenues:						
Property Taxes	6,204,441	6,103,098	0	0	6,204,441	6,103,098
Other Local Taxes	375,090	407,397	0	0	375,090	407,397
Sales Tax	12,093,479	11,157,552	0	0	12,093,479	11,157,552
Revenue in Lieu of Taxes	173	493	0	0	173	493
Grants and Entitlements not Restricted to Specific Programs	1,801,669	1,979,504	0	0	1,801,669	1,979,504
Interest	9,085	5,341	0	0	9,085	5,341
Contributions and Donations	2,050	64,000	0	0	2,050	64,000
Miscellaneous	1,489,422	1,047,133	37,762	33,244	1,527,184	1,080,377
Total General Revenues	<u>21,975,409</u>	<u>20,764,518</u>	<u>37,762</u>	<u>33,244</u>	<u>22,013,171</u>	<u>20,797,762</u>
Total Revenues	<u>\$54,269,914</u>	<u>\$54,103,846</u>	<u>\$18,397,344</u>	<u>\$4,259,062</u>	<u>\$72,667,258</u>	<u>\$58,362,908</u>

(Continued)

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2
Changes in Net Position
(Continued)

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
Program Expenses						
General Government:						
Legislative and Executive	\$8,365,254	\$7,644,800	\$0	\$0	\$8,365,254	\$7,644,800
Judicial	2,737,196	2,754,036	0	0	2,737,196	2,754,036
Public Safety:						
Sheriff	5,928,950	5,795,903	0	0	5,928,950	5,795,903
Other	2,313,465	2,606,307	0	0	2,313,465	2,606,307
Public Works	4,427,125	4,672,328	0	0	4,427,125	4,672,328
Health	11,578,290	11,572,908	0	0	11,578,290	11,572,908
Human Services	12,070,327	11,646,104	0	0	12,070,327	11,646,104
Conservation and Recreation	527,696	341,095	0	0	527,696	341,095
Economic Development and Assistance	871,381	1,114,135	0	0	871,381	1,114,135
Transportation	779,057	926,728	0	0	779,057	926,728
Interest and Fiscal Charges	427,739	661,451	0	0	427,739	661,451
Sewer	0	0	4,044,745	2,805,138	4,044,745	2,805,138
Total Expenses	50,026,480	49,735,795	4,044,745	2,805,138	54,071,225	52,540,933
Increase in Net Position						
Before Special Item	4,243,434	4,368,051	14,352,599	1,453,924	18,596,033	5,821,975
Special Item	0	0	1,412,285	0	1,412,285	0
Change in Net Position	4,243,434	4,368,051	15,764,884	1,453,924	20,008,318	5,821,975
Net Position at Beginning of Year - Restated	103,219,478	98,851,427	15,501,194	14,047,270	118,720,672	112,898,697
Net Position at End of Year	\$107,462,912	\$103,219,478	\$31,266,078	\$15,501,194	\$138,728,990	\$118,720,672

Governmental Activities

The County's direct charges to users of governmental services are \$7,141,618 of total governmental revenues for 2014. 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 decreased \$665,688 due to a reduction of charges for service and fines and forfeitures collected related to public safety.

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. The increase is primarily due to increases in State and federal program reimbursements, grants, and subsidies associated with the Board of Developmental Disabilities and Public Assistance. Capital grants and contributions decreased mostly due to a decrease in grant funding for County Engineer projects.

Sales tax collected by the County comprised \$12,093,479 of total governmental revenues for 2014, which was an increase of \$935,927 from 2013. Proceeds of the permissive sales tax are credited to the General Fund.

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Health programs (including the Board of Developmental Disabilities) made up \$11,578,290 of total expenses and increased \$5,382 compared to 2013. This increase was insignificant. Human services (including Public Assistance and Children Services) programs accounted for \$12,070,327 of total expenses for governmental activities. Human services increased \$424,223 due to the County spending more on human services as a result of an increase in grant revenues. Legislative and executive expenses accounted for \$8,365,254 of total expenses for governmental activities. The increase of \$720,454 is primarily due to the County spending more on maintenance and repairs, election expenses, health insurance, contractual services and the purchase of non-capitalized equipment.

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 position for business-type activity increased \$15,764,884 during 2014, which was more than the \$1,453,924 increase during 2013. Revenues again outpaced expenses along with the County receiving grant monies associated with various sewer projects, mostly related to the Minford Sewer System project.

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 \$55,087,896 and expenditures of \$52,105,406.

The General Fund balance increased \$2,929,471 in 2014. This was due to revenues exceeding non-capitalized expenses and an increase in sale tax revenues.

The Public Assistance Fund balance decreased \$375,315, which was due to an increase in expenditures as the County received an increase in federal and State sources.

The Motor Vehicle Gas Tax Fund balance decreased \$233,164. This resulted from the County spending more due to an increase in road and bridge project expenditures.

The Board of Developmental Disabilities Fund balance decreased \$440,591 in 2014. Despite an increase in State and federal funding, accounts payable, accrued wages and interfund payables increased during 2014 causing an overall increase in expenditures greater than the increase in revenue.

The Children Services Fund balance increased \$82,146, due to a decrease in expenditures related to staff reductions and boarding costs.

The Sewer Fund reflects operating income of \$6,126 for 2014. 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. During 2014, charges for services increased \$408,169 due to the County taking on new customers with the acquisition of the South Webster Sewer System and increases in accounts and special assessment receivables. Operating expenses increased \$1,276,261 mainly due to an increase in non-capitalized contractual services.

SCIOTO COUNTY, OHIO
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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 2014, 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 sales tax and intergovernmental revenue. Sales tax and Intergovernmental was the result of conservative estimates due to the uncertainty surrounding sales tax collections and local government monies along with a conservative estimate regarding the County's share of casino monies. 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 actual receipts being much higher than originally anticipated.

Total variance from original budget expenditure amounts to the final budget expenditure amounts increased mostly in legislative and executive due to greater costs associated with various purposes such as utilities, maintenance, supplies and health insurance costs which were not anticipated in the original budget. The variances from final budget expenditure amounts to actual amounts decreased in several expenditures with the largest in legislative and executive. This decrease was due to expenditures that were initially budgeted in 2014 but did not actually occur until 2015 and other expenses that were budgeted but were deemed not to occur during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During 2014, the County had additions to construction in progress and depreciable assets of \$94,547 and \$5,263,689, respectively, in the governmental activities. These were the result of various land improvements, buildings and improvements, equipment, vehicles, and infrastructure assets, including bridge replacements.

The additions to land, construction in progress, and depreciable assets consisted of \$15,080, \$17,402,382, and \$6,896,082, respectively, in the business-type activities. A large majority of construction in progress additions were the result of the Minford Sewer System project. The depreciable assets were the result the County finalizing the Eden Park sewer extension project and the acquisition of the South Webster Sewer System. See Note 8 of the notes to the basic financial statements for more detailed capital assets information.

Debt

At December 31, 2014, Scioto County had \$9,227,030 in long-term debt outstanding in governmental activities. This included \$7,944,086 of general obligation bonds and premium, \$216,650 (Ohio Public Works Commission (OPWC) and \$1,066,294 in capital leases. There was one new refunding bond issue, and five new capital leases entered into during 2014 for governmental activities.

SCIOTO COUNTY, OHIO
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The amount of long-term debt in the business-type activity was \$14,430,703 which consisted of \$2,614,034 in general obligation bonds, \$2,627,538 in Farmer's Home Administration (FHA) bonds, \$702,045 in (Ohio Public Works Commission (OPWC) loans, and \$8,487,086 in the Ohio Water Development Authority (OWDA) and the United States Department of Agriculture (USDA) loans. During 2014, there was one new USDA loan issued and the County continued to draw on some existing OPWC, OWDA, and USDA loans. The County also accepted responsibility for an outstanding OWDA loan as part of the Village of South Webster sewer system acquisition.

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, 2014, the County had short-term debt in the amount of \$87,000 in bond anticipation notes.

See Notes 13, 14 and 15 of the notes to the basic financial statements for more detailed information.

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 Position

December 31, 2014

	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	\$21,851,179	\$1,509,186	\$23,360,365	\$266,458	\$113,381
Cash and Cash Equivalents in Segregated Accounts	360,472	292,381	652,853	0	0
Materials and Supplies Inventory	405,847	6,501	412,348	7,035	0
Accounts Receivable	55,825	2,251,624	2,307,449	120,043	2,991
Prepaid Items	370,169	32,457	402,626	0	0
Internal Balances	3,250	(3,250)	0	0	0
Sales Tax Receivable	2,953,255	0	2,953,255	0	0
Property Taxes Receivable	8,001,667	0	8,001,667	0	0
Revenue in Lieu of Taxes Receivable	19,800	0	19,800	0	0
Due from Other Governments	6,323,319	3,299,542	9,622,861	0	8,809
Loans Receivable	155,555	97,868	253,423	0	0
Investment in Joint Venture	165,623	0	165,623	0	0
Capital Assets:					
Land and Construction in Progress	1,573,594	19,838,368	21,411,962	0	365,737
Depreciable Capital Assets, Net	85,217,514	21,441,481	106,658,995	41,523	1,946,369
Total Assets	127,457,069	48,766,158	176,223,227	435,059	2,437,287
<u>Deferred Outflows Of Resources</u>					
Deferred Charge On Refunding	191,571	33,946	225,517	0	0
<u>Liabilities:</u>					
Accounts Payable	834,055	267,601	1,101,656	19,134	2,210
Contracts Payable	40,095	1,753,933	1,794,028	0	0
Accrued Wages Payable	358,185	7,717	365,902	833	0
Due to Other Governments	774,196	42,015	816,211	0	0
Accrued Interest Payable	18,302	104,719	123,021	0	0
Matured Compensated Absences Payable	424	0	424	0	0
Compensatory Time Payable	85,087	17,574	102,661	0	0
Retainage Payable	33,748	831,543	865,291	0	0
Notes Payable	87,000	0	87,000	0	0
Long-Term Liabilities:					
Due Within One Year	2,444,865	511,697	2,956,562	0	0
Due in More Than One Year	8,739,278	13,997,227	22,736,505	0	0
Total Liabilities	13,415,235	17,534,026	30,949,261	19,967	2,210
<u>Deferred Inflows Of Resources</u>					
Property Taxes	6,750,693	0	6,750,693	0	0
Revenue In Lieu Of Taxes	19,800	0	19,800	0	0
Total Deferred Inflows Of Resources	6,770,493	0	6,770,493	0	0
<u>Net Position:</u>					
Net Investment in Capital Assets	79,274,806	24,392,380	103,667,186	41,523	2,312,106
Restricted for:					
Debt Service	26,564	0	26,564	0	0
Capital Projects	876,200	0	876,200	0	0
Public Safety	2,724,939	0	2,724,939	0	0
Human Services	4,796,954	0	4,796,954	0	0
Public Works	4,441,428	0	4,441,428	0	0
Health	3,360,789	0	3,360,789	0	0
Community and Economic Development	585,414	0	585,414	0	0
Transportation	157,570	0	157,570	0	0
Judicial	550,061	0	550,061	0	0
Other Purposes	1,548,203	0	1,548,203	0	0
Unrestricted	9,119,984	6,873,698	15,993,682	373,569	122,971
Total Net Position	\$107,462,912	\$31,266,078	\$138,728,990	\$415,092	\$2,435,077

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2014

	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	\$8,365,254	\$1,867,746	\$40,000	\$0
Judicial	2,737,196	1,519,994	390,539	0
Public Safety:				
Sheriff	5,928,950	2,388,290	273,544	0
Other	2,313,465	347,975	737,483	0
Public Works	4,427,125	93,742	4,768,356	1,846,891
Health	11,578,290	325,497	6,073,413	0
Human Services	12,070,327	204,002	10,084,179	0
Conservation and Recreation	527,696	7,570	0	0
Economic Development and Assistance	871,381	51,070	420,716	0
Transportation	779,057	335,732	517,766	0
Interest and Fiscal Charges	427,739	0	0	0
<i>Total Governmental Activities</i>	50,026,480	7,141,618	23,305,996	1,846,891
<u>Business-Type Activity:</u>				
Sewer	4,044,745	3,743,479	0	14,616,103
<i>Total Primary Government</i>	\$54,071,225	\$10,885,097	\$23,305,996	\$16,462,994
<u>Component Units:</u>				
STAR, Inc.	\$1,412,666	\$1,140,410	\$448,603	\$0
Scioto County Airport Authority	209,603	112,784	0	0
<i>Total Component Unit Activities</i>	\$1,622,269	\$1,253,194	\$448,603	\$0

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
Contributions and Donations
Miscellaneous

Total General Revenues

Special Item - Sewer Acquisition

Total General Revenues and Special Item

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	STAR, Inc.	Scioto County Airport Authority	
(\$6,457,508)	\$0	(\$6,457,508)	\$0	\$0	\$0
(826,663)	0	(826,663)	0	0	0
(3,267,116)	0	(3,267,116)	0	0	0
(1,228,007)	0	(1,228,007)	0	0	0
2,281,864	0	2,281,864	0	0	0
(5,179,380)	0	(5,179,380)	0	0	0
(1,782,146)	0	(1,782,146)	0	0	0
(520,126)	0	(520,126)	0	0	0
(399,595)	0	(399,595)	0	0	0
74,441	0	74,441	0	0	0
(427,739)	0	(427,739)	0	0	0
(17,731,975)	0	(17,731,975)	0	0	0
0	14,314,837	14,314,837	0	0	0
(17,731,975)	14,314,837	(3,417,138)	0	0	0
0	0	0	176,347	0	0
0	0	0	0	(96,819)	(96,819)
0	0	0	176,347	(96,819)	(96,819)
1,707,148	0	1,707,148	0	0	0
3,618,792	0	3,618,792	0	0	0
748,463	0	748,463	0	0	0
130,038	0	130,038	0	0	0
375,090	0	375,090	0	0	0
12,093,479	0	12,093,479	0	0	0
173	0	173	0	0	0
1,801,669	0	1,801,669	0	0	0
9,085	0	9,085	0	0	0
2,050	0	2,050	0	0	0
1,489,422	37,762	1,527,184	25,009	0	0
21,975,409	37,762	22,013,171	25,009	0	0
0	1,412,285	1,412,285	0	0	0
21,975,409	1,450,047	23,425,456	0	0	0
4,243,434	15,764,884	20,008,318	201,356	(96,819)	(96,819)
103,219,478	15,501,194	118,720,672	213,736	2,531,896	2,531,896
\$107,462,912	\$31,266,078	\$138,728,990	\$415,092	\$2,435,077	\$2,435,077

SCIOTO COUNTY, OHIO
 Balance Sheet
 Governmental Funds
 December 31, 2014

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$6,934,706	\$1,326,968	\$1,790,983
Cash and Cash Equivalents in Segregated Accounts	317,228	5,735	0
Receivables:			
Sales Tax	2,953,255	0	0
Property Taxes	2,234,597	0	0
Accounts	51,413	0	0
Interfund	14,727	29,437	157,850
Revenue in Lieu of Taxes	0	0	0
Due from Other Governments	909,752	15,191	2,270,648
Prepaid Items	116,280	127,098	8,488
Materials and Supplies Inventory	70,630	14,783	308,740
Loans Receivable	0	0	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	322,256	0	0
<i>Total Assets</i>	\$13,924,844	\$1,519,212	\$4,536,709
 <u>Liabilities:</u>			
Accounts Payable	\$461,953	\$77,157	\$44,817
Contracts Payable	0	0	0
Accrued Wages Payable	100,300	87,514	63,658
Due to Other Governments	235,244	105,862	40,223
Interfund Payable	14,246	25,881	0
Retainage Payable	0	0	0
Accrued Interest Payable	1,323	0	0
Matured Compensated Absences Payable	84	340	0
Notes Payable	87,000	0	0
<i>Total Liabilities</i>	900,150	296,754	148,698
 <u>Deferred Inflows of Resources</u>			
Property Taxes not Levied to Finance Current			
Year Operations	1,940,042	0	0
Payment in Lieu of Taxes not Intended to Finance			
Current Year Operations	0	0	0
Unavailable Revenue	1,824,973	0	1,565,184
<i>Total Deferred Inflows of Resources</i>	3,765,015	0	1,565,184
 <u>Fund Balances:</u>			
Nonspendable	509,166	141,881	317,228
Restricted	0	1,080,577	2,505,599
Committed	0	0	0
Assigned	364,994	0	0
Unassigned	8,385,519	0	0
<i>Total Fund Balances</i>	9,259,679	1,222,458	2,822,827
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	\$13,924,844	\$1,519,212	\$4,536,709

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$2,214,608	\$1,197,466	\$8,064,192	\$21,528,923
0	0	37,509	360,472
0	0	0	2,953,255
4,646,555	967,740	152,775	8,001,667
0	100	4,312	55,825
0	0	25,881	227,895
14,400	3,600	1,800	19,800
787,509	612,905	1,727,314	6,323,319
70,159	32,873	15,271	370,169
9,244	500	1,950	405,847
0	0	155,555	155,555
0	0	0	322,256
<u>\$7,742,475</u>	<u>\$2,815,184</u>	<u>\$10,186,559</u>	<u>\$40,724,983</u>
\$116,066	\$103,149	\$30,913	\$834,055
0	0	40,095	40,095
37,352	23,399	45,962	358,185
273,460	20,428	98,979	774,196
0	0	184,518	224,645
0	0	33,748	33,748
0	0	0	1,323
0	0	0	424
0	0	0	87,000
<u>426,878</u>	<u>146,976</u>	<u>434,215</u>	<u>2,353,671</u>
3,886,552	821,168	102,931	6,750,693
14,400	3,600	1,800	19,800
<u>1,247,146</u>	<u>462,146</u>	<u>386,328</u>	<u>5,485,777</u>
<u>5,148,098</u>	<u>1,286,914</u>	<u>491,059</u>	<u>12,256,270</u>
79,403	33,373	17,221	1,098,272
2,088,096	1,347,921	8,865,291	15,887,484
0	0	355,889	355,889
0	0	22,884	387,878
0	0	0	8,385,519
<u>2,167,499</u>	<u>1,381,294</u>	<u>9,261,285</u>	<u>26,115,042</u>
<u>\$7,742,475</u>	<u>\$2,815,184</u>	<u>\$10,186,559</u>	<u>\$40,724,983</u>

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SCIOTO COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014

Total Governmental Fund Balances \$26,115,042

***Amounts reported for governmental activities in the
 Statement of Net Position 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	1,573,594	
Depreciable capital assets	139,369,039	
Accumulated depreciation	(54,151,525)	
Total capital assets		86,791,108

The County has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 165,623

Other long-term assets will not be available to pay current-period expenditures and, therefore, are offset by deferred inflows of resources in the funds:

Sales tax	1,074,180	
Delinquent property taxes	1,250,974	
Accounts	229,463	
Intergovernmental	2,931,160	
Total		5,485,777

Deferred Outflows of Resources represent deferred charges on refundings which do not provide current year financial resources and, therefore, are not reported in the funds. 191,571

In the Statement of Net Position, interest is accrued on long-term debt, whereas in governmental funds, an interest expenditure is reported when due. (16,979)

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

Bonds payable	(7,940,000)	
Premium on Debt Issued	(4,086)	
Loans payable	(216,650)	
Capital leases payable	(1,066,294)	
Compensated absences	(1,770,668)	
Accrued compensatory time payable	(85,087)	
Workers' compensation claims payable	(186,445)	
Total liabilities		(11,269,230)

Net Position of Governmental Activities \$107,462,912

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Revenues:</u>			
Property Taxes	\$1,809,728	\$0	\$0
Other Local Taxes	375,090	0	0
Sales Tax	12,095,122	0	0
Revenue in Lieu of Taxes	0	0	0
Charges for Services	2,946,250	75	73,584
Licenses and Permits	4,786	0	0
Fines and Forfeitures	173,737	0	10,430
Intergovernmental	2,194,700	7,056,734	4,500,900
Interest	8,540	0	480
Rent	570	0	1,200
Contributions and Donations	2,050	0	0
Miscellaneous	281,924	289,061	34,350
<i>Total Revenues</i>	<u>19,892,497</u>	<u>7,345,870</u>	<u>4,620,944</u>
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	7,402,979	0	0
Judicial	2,315,189	0	0
Public Safety:			
Sheriff	3,972,769	0	0
Other	539,979	0	0
Public Works	0	0	4,858,026
Health	346,086	0	0
Human Services	439,948	7,777,694	0
Conservation and Recreation	279,530	0	0
Economic Development and Assistance	163,350	0	0
Transportation	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	136,685	50,636	0
Interest and Fiscal Charges	21,061	6,670	0
<i>Total Expenditures</i>	<u>15,617,576</u>	<u>7,835,000</u>	<u>4,858,026</u>
Excess of Revenues Over (Under) Expenditures	<u>4,274,921</u>	<u>(489,130)</u>	<u>(237,082)</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	35,397	0	0
Transfers In	0	242,332	0
Payment to Refunded Bonds Escrow Agent	0	0	0
Current Refunding	0	0	0
Premium on Issuance of Debt	0	0	0
Loan Proceeds	0	0	11,235
Transfers Out	(1,380,847)	(128,517)	(7,317)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,345,450)</u>	<u>113,815</u>	<u>3,918</u>
<i>Net Change in Fund Balances</i>	2,929,471	(375,315)	(233,164)
<i>Fund Balances at Beginning of Year</i>	<u>6,330,208</u>	<u>1,597,773</u>	<u>3,055,991</u>
<i>Fund Balances at End of Year</i>	<u>\$9,259,679</u>	<u>\$1,222,458</u>	<u>\$2,822,827</u>

See Accompanying Notes to the Basic Financial Statements

Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
\$3,630,955	\$766,806	\$97,014	\$6,304,503
0	0	0	375,090
0	0	0	12,095,122
0	173	0	173
269,395	633	3,319,397	6,609,334
0	0	47,014	51,800
0	0	354,967	539,134
5,958,339	1,990,658	5,856,553	27,557,884
37	0	28	9,085
0	0	0	1,770
29,430	21,086	2,013	54,579
632,738	10,888	240,461	1,489,422
<u>10,520,894</u>	<u>2,790,244</u>	<u>9,917,447</u>	<u>55,087,896</u>
0	0	855,659	8,258,638
0	0	387,442	2,702,631
0	0	1,687,017	5,659,786
0	0	1,546,233	2,086,212
0	0	515,691	5,373,717
10,818,469	0	306,369	11,470,924
5,664	2,650,791	1,098,343	11,972,440
0	0	0	279,530
0	0	706,846	870,196
0	0	780,105	780,105
0	0	1,183,080	1,183,080
110,551	47,930	692,300	1,038,102
32,465	9,377	360,472	430,045
<u>10,967,149</u>	<u>2,708,098</u>	<u>10,119,557</u>	<u>52,105,406</u>
<u>(446,255)</u>	<u>82,146</u>	<u>(202,110)</u>	<u>2,982,490</u>
5,664	0	0	41,061
0	0	1,281,949	1,524,281
0	0	(4,748,754)	(4,748,754)
0	0	4,880,000	4,880,000
0	0	4,276	4,276
0	0	0	11,235
0	0	(7,600)	(1,524,281)
<u>5,664</u>	<u>0</u>	<u>1,409,871</u>	<u>187,818</u>
(440,591)	82,146	1,207,761	3,170,308
<u>2,608,090</u>	<u>1,299,148</u>	<u>8,053,524</u>	<u>22,944,734</u>
<u>\$2,167,499</u>	<u>\$1,381,294</u>	<u>\$9,261,285</u>	<u>\$26,115,042</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$3,170,308

*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	4,996,553	
Construction in progress additions	94,547	
Depreciation expense	<u>(3,762,298)</u>	
Excess of capital outlay over depreciation expense	.	1,328,802

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	(185,928)
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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 therefore recorded as deferred inflows of resources in the funds. Deferred inflows of resources related to the following items changed by the amounts shown below:

Delinquent property taxes	(100,062)	
Sales tax	(1,643)	
Charges for services	(60,420)	
Intergovernmental	<u>(655,857)</u>	
Total revenues		(817,982)

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.

(8,851)

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

General Obligation Refunding Bonds	(4,880,000)	
Premium on bonds	(4,276)	
Deferred Charge on Refunding	191,571	
Proceeds of loans	<u>(11,235)</u>	
Total		(4,703,940)

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 Position, the lease obligation is reported as a liability.

(41,061)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Loan principal payments	4,016	
Bond principal payments	690,000	
Payment to Refunded Bond Escrow Agent	4,748,754	
Refunded Interest on Refunding Bonds	(203,754)	
Capital lease payments	<u>344,086</u>	
Total long-term debt repayments		5,583,102

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

Increase in compensated absences payable	(44,586)	
Increase in accrued compensatory time payable	(11,383)	
Increase in workers' compensation claims payable	<u>(39,536)</u>	
Total		(95,505)

Amortization of bond premiums 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	11,026	
Amortization of premium on general obligation bonds	<u>3,463</u>	
Total		14,489

Change in Net Position of Governmental Activities \$4,243,434

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, 2014

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$1,730,000	\$1,730,000	\$1,805,015	\$75,015
Other Local Taxes	365,000	365,000	375,230	10,230
Sales Tax	10,600,000	10,800,000	11,773,949	973,949
Revenue in Lieu of Taxes	150	0	0	0
Charges for Services	2,092,700	2,092,700	2,128,918	36,218
Licenses and Permits	4,000	4,000	4,786	786
Fines and Forfeitures	152,000	152,000	174,003	22,003
Intergovernmental	1,889,000	2,078,150	2,208,149	129,999
Interest	6,000	6,000	8,458	2,458
Rent	2,500	2,500	2,170	(330)
Miscellaneous	22,500	22,500	76,002	53,502
Total Revenues	16,863,850	17,252,850	18,556,680	1,303,830
<u>Expenditures:</u>				
Current:				
General Government:				
Legislative and Executive	7,065,681	7,605,171	7,366,533	238,638
Judicial	2,074,145	2,128,525	2,064,641	63,884
Public Safety:				
Sheriff	3,875,153	4,098,867	4,060,187	38,680
Other	527,961	549,350	545,793	3,557
Health	349,600	349,600	348,549	1,051
Human Services	446,522	470,955	459,599	11,356
Conservation and Recreation	188,827	198,195	196,973	1,222
Economic Development and Assistance	92,619	116,377	115,368	1,009
Capital Outlay	150,207	0	0	0
Debt Service:				
Principal Retirement	0	4,016	4,016	0
Interest and Fiscal Charges	0	44	44	0
Total Expenditures	14,770,715	15,521,100	15,161,703	359,397
Excess of Revenues Over Expenditures	2,093,135	1,731,750	3,394,977	1,663,227
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	117,000	117,650	650
Transfers Out	(1,441,096)	(1,517,662)	(1,511,989)	5,673
Total Other Financing Sources (Uses)	(1,441,096)	(1,400,662)	(1,394,339)	6,323
Net Change in Fund Balance	652,039	331,088	2,000,638	1,669,550
Fund Balance at Beginning of Year	2,849,108	2,849,108	2,849,108	0
Prior Year Encumbrances Appropriated	312,703	312,703	312,703	0
Fund Balance at End of Year	\$3,813,850	\$3,492,899	\$5,162,449	\$1,669,550

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
Public Assistance Special Revenue Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Charges for Services	\$500	\$500	\$0	(\$500)
Intergovernmental	8,684,218	7,044,154	7,058,882	14,728
Miscellaneous	310,000	310,000	289,061	(20,939)
<i>Total Revenues</i>	8,994,718	7,354,654	7,347,943	(6,711)
<u>Expenditures:</u>				
Current:				
Human Services	9,190,882	9,182,975	8,062,008	1,120,967
Excess of Revenues Under Expenditures	(196,164)	(1,828,321)	(714,065)	1,114,256
<u>Other Financing Sources (Uses):</u>				
Transfers In	235,620	235,620	242,332	6,712
Transfers Out	0	(128,517)	(128,517)	0
<i>Total Other Financing Sources (Uses)</i>	235,620	107,103	113,815	6,712
<i>Net Change in Fund Balance</i>	39,456	(1,721,218)	(600,250)	1,120,968
<i>Fund Balance at Beginning of Year</i>	1,325,030	1,325,030	1,325,030	0
<i>Prior Year Encumbrances Appropriated</i>	396,188	396,188	396,188	0
<i>Fund Balance at End of Year</i>	<u>\$1,760,674</u>	<u>\$0</u>	<u>\$1,120,968</u>	<u>\$1,120,968</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
Motor Vehicle Gas Tax Special Revenue Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Charges for Services	\$5,656	\$76,216	\$70,560	(\$5,656)
Fines and Forfeitures	10,000	10,000	10,430	430
Intergovernmental	4,245,000	4,386,431	4,479,926	93,495
Interest	200	200	480	280
Rent	0	1,200	1,200	0
Miscellaneous	185,000	1,956	34,350	32,394
<i>Total Revenues</i>	4,445,856	4,476,003	4,596,946	120,943
<u>Expenditures:</u>				
Current:				
Public Works	5,145,856	5,574,446	5,218,701	355,745
Excess of Revenues Under Expenditures	(700,000)	(1,098,443)	(621,755)	476,688
<u>Other Financing Sources (Uses):</u>				
Proceeds of OPWC Loans	0	11,235	11,235	0
Advances In	0	0	941,183	941,183
Transfers In	0	258,618	258,618	0
<i>Total Other Financing Sources (Uses)</i>	0	269,853	1,211,036	941,183
<i>Net Change in Fund Balance</i>	(700,000)	(828,590)	589,281	1,417,871
<i>Fund Balance at Beginning of Year</i>	767,684	767,684	767,684	0
<i>Prior Year Encumbrances Appropriated</i>	128,590	128,590	128,590	0
<i>Fund Balance at End of Year</i>	<u>\$196,274</u>	<u>\$67,684</u>	<u>\$1,485,555</u>	<u>\$1,417,871</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 Special Revenue Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<i>Actual</i>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$3,872,000	\$3,620,000	\$3,620,907	\$907
Charges for Services	255,000	220,000	272,528	52,528
Intergovernmental	5,167,115	5,692,715	6,065,932	373,217
Contributions and Donations	10,000	15,400	15,400	0
Miscellaneous	0	256,000	308,921	52,921
<i>Total Revenues</i>	9,304,115	9,804,115	10,283,688	479,573
<u>Expenditures:</u>				
Current:				
Health	10,568,641	11,111,238	10,144,226	967,012
Excess of Revenues Over (Under) Expenditures	(1,264,526)	(1,307,123)	139,462	1,446,585
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	145,330	145,330	0
Transfers Out	0	(145,330)	(145,330)	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0	0
<i>Net Change in Fund Balance</i>	(1,264,526)	(1,307,123)	139,462	1,446,585
<i>Fund Balance at Beginning of Year</i>	1,264,523	1,264,523	1,264,523	0
<i>Prior Year Encumbrances Appropriated</i>	42,600	42,600	42,600	0
<i>Fund Balance at End of Year</i>	<u>\$42,597</u>	<u>\$0</u>	<u>\$1,446,585</u>	<u>\$1,446,585</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
Children Services Special Revenue Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property Taxes	\$820,000	\$820,000	\$764,831	(\$55,169)
Revenue in Lieu of Taxes	100	100	173	73
Charges for Services	0	500	633	133
Intergovernmental	1,589,327	1,589,327	2,141,011	551,684
Contributions and Donations	5,000	5,000	21,086	16,086
Miscellaneous	15,500	15,000	10,939	(4,061)
<i>Total Revenues</i>	2,429,927	2,429,927	2,938,673	508,746
<u>Expenditures:</u>				
Current:				
Human Services	2,793,300	2,923,410	2,784,445	138,965
<i>Net Change in Fund Balance</i>	(363,373)	(493,483)	154,228	647,711
<i>Fund Balance at Beginning of Year</i>	946,779	946,779	946,779	0
<i>Prior Year Encumbrances Appropriated</i>	30,110	30,110	30,110	0
<i>Fund Balance at End of Year</i>	<u>\$613,516</u>	<u>\$483,406</u>	<u>\$1,131,117</u>	<u>\$647,711</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Position
Enterprise Fund
December 31, 2014

	<u>Sewer Fund</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,509,186
Cash and Cash Equivalents in Segregated Accounts	292,381
Materials and Supplies Inventory	6,501
Accounts Receivable	2,251,624
Due from Other Governments	3,299,542
Prepaid Items	32,457
Loans Receivable	97,868
Capital Assets:	
Nondepreciable Capital Assets	19,838,368
Depreciable Capital Assets, Net	<u>21,441,481</u>
<i>Total Assets</i>	<u>48,769,408</u>
<u>Deferred Outflows of Resources</u>	
Deferred Charge on Refunding	<u>33,946</u>
<u>Liabilities:</u>	
Accounts Payable	267,601
Contracts Payable	1,753,933
Retainage Payable	831,543
Accrued Wages Payable	7,717
Interfund Payable	3,250
Due to Other Governments	42,015
Accrued Interest Payable	104,719
General Obligation Bonds Payable	239,183
Farmer's Home Administration Bonds Payable	72,724
Ohio Public Works Commission Loans Payable	50,037
Ohio Water Development Authority Loans Payable	102,410
Compensatory Time Payable	17,574
Compensated Absences Payable	<u>47,343</u>
<i>Total Liabilities</i>	<u>3,540,049</u>
<u>Long-Term Liabilities (Net of Current Portion):</u>	
General Obligation Bonds Payable	2,374,851
Farmer's Home Administration Bonds Payable	2,554,814
Ohio Public Works Commission Loans Payable	652,008
Ohio Water Development Authority Loans Payable	1,740,975
United States Department of Agriculture Loan Payable	6,643,701
Compensated Absences Payable	<u>30,878</u>
<i>Total Long-Term Liabilities</i>	<u>13,997,227</u>
<i>Total Liabilities</i>	<u>17,537,276</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	24,392,380
Unrestricted	<u>6,873,698</u>
<i>Total Net Position</i>	<u><u>\$31,266,078</u></u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenses
and Changes in Fund Net Position
Enterprise Fund
For the Year Ended December 31, 2014

	<i>Sewer Fund</i>
<u>Operating Revenues:</u>	
Charges for Services	\$3,743,479
Other Operating Revenues	323
	<u>3,743,802</u>
<i>Total Operating Revenues</i>	<i>3,743,802</i>
<u>Operating Expenses:</u>	
Personal Services	704,352
Fringe Benefits	429,909
Contractual Services	1,957,987
Materials and Supplies	205,051
Depreciation	439,308
Other	1,069
	<u>3,737,676</u>
<i>Total Operating Expenses</i>	<i>3,737,676</i>
Operating Income	<u>6,126</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest and Fiscal Charges	(307,069)
Other Non-Operating Revenues	37,439
	<u>(269,630)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(269,630)</i>
Income Before Capital Grants and Special Item	(263,504)
Capital Grants	14,616,103
Special Item	1,412,285
	<u>15,764,884</u>
<i>Net Income</i>	<i>15,764,884</i>
<i>Net Position at Beginning of Year</i>	<i>15,501,194</i>
	<u>15,501,194</u>
<i>Net Position at End of Year</i>	<i>\$31,266,078</i>
	<u>\$31,266,078</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2014

	<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	\$3,513,104
Cash Payments to Suppliers for Goods and Services	(1,082,230)
Cash Payments to Employees for Services	(688,274)
Cash Payments for Employee Benefits	(423,818)
Cash Payments for Other Operating Expenses	(1,069)
	1,317,713
<i>Net Cash Provided by Operating Activities</i>	
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Loans	5,705,157
Capital Grants Received	11,742,661
Aquisition of Capital Assets	(16,639,763)
Principal Paid on Bonds and Loans	(2,022,824)
Interest Paid on Bonds and Loans	(285,992)
Other Non-Operating Revenues	37,439
	(1,463,322)
<i>Net Cash Used for Capital and Related Financing Activities</i>	
<i>Net Decrease in Cash and Cash Equivalents</i>	
	(145,609)
<i>Cash and Cash Equivalents at Beginning of Year</i>	
	1,947,176
<i>Cash and Cash Equivalents at End of Year</i>	
	\$1,801,567
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$6,126
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>	
Depreciation	439,308
Changes in Assets and Liabilities:	
Increase in Materials and Supplies Inventory	(282)
Increase in Accounts Receivable	(230,698)
Increase in Prepaid Items	(12,622)
Increase in Accounts Payable	206,636
Increase in Accrued Wages and Benefits	2,503
Decrease in Due to Other Governments	(81,178)
Increase in Due to Other Funds	3,250
Increase in Compensatory Time Payable	4,804
Increase in Compensated Absences Payable	7,033
Increase in Contracts Payable	972,833
	1,311,587
<i>Total Adjustments</i>	
	\$1,317,713
<i>Net Cash Provided by Operating Activities</i>	
<u>Noncash Capital Financing Activities</u>	
Sewer Assets Acquired	\$3,358,080
Loans Payable Associated with Acquired Assets	(1,945,795)
	\$1,412,285
<i>Acquired Assets, Net</i>	

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,139,718
Cash and Cash Equivalents in Segregated Accounts	1,135,567
Receivables:	
Property Taxes	48,781,390
Accounts	584,843
Revenue in Lieu of Taxes	160,200
Due from Other Governments	2,481,391
<i>Total Assets</i>	\$57,283,109
 <u>Liabilities:</u>	
Due to Other Governments	\$52,022,824
Undistributed Monies	5,260,285
<i>Total Liabilities</i>	\$57,283,109

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

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

REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For Scioto County, this includes the Children Services Board, the Scioto County Board of 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.

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, some utilities, and contract services. Financial statements are issued as part of the Scioto County report and are not obtainable separately.

The information presented in Notes 2 through 27 relates to the primary government. Information related to the discretely presented component units is presented in Note 28.

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 17, 18, and 19 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
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 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 Position 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 Position 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 the 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 Position presents the financial condition of the governmental and business-type activities of the County at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business segment is self-financing or draws from the general revenues of the County.

FUND FINANCIAL STATEMENTS

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

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 position, 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 and report 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 and report the provision of sanitary sewer services to the residents and businesses of the County.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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, and deferred inflows of resources associated with the operation of the County are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position.

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, current liabilities, and current deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows provides information about how the County finances and meets the cash flow needs of its proprietary 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; proprietary 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 inflows of resources, 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 5.) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 6.) 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).

Unearned revenue represents amounts under accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the County, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the County, deferred inflows of resources include property taxes, payment in lieu of taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the County, unavailable revenue includes sales tax, delinquent property taxes, accounts receivable, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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 before 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.

CASH AND CASH EQUIVALENTS

Cash balances of the County's funds, except 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."

"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 2014. 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, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2014 amounted to \$8,540, of which \$5,442 was assigned from other funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are presented on the financial statements as cash equivalents.

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.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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 Receivable” and “Interfund Payable”. Interfund balances are eliminated on the government-wide Statement of Net Position, 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 Position but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column of the government-wide Statement of Net Position 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 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	10-20 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.

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 proprietary 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 proprietary fund are reported on the proprietary 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, capital leases, and the Ohio Bureau of Workers' Compensation Retrospective Rating Program claims 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:

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, and unclaimed monies.

Restricted – The restricted fund balance category includes amounts that can be spent only for the specific purposes 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, 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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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.

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.

BOND PREMIUM

On the government-wide financial statements and in the enterprise funds, bond premiums are deferred and amortized over the term of the bonds using the straight-line (bonds outstanding) method, which approximates the effective interest method. Bond premiums are presented as additions to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period when the debt is issued.

DEFERRED CHARGE ON REFUNDING

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflow of resources on the Statement of Net Position.

INTERNAL ACTIVITY

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

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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

ESTIMATES

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

NET POSITION

Net position represents the difference between all other elements in the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for real estate assessments, GIS mapping, and delinquent tax collections.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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 17). The County's share in year-end net position is included on the Statement of Net Position 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 proprietary 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.

SPECIAL ITEM

Special items are transactions or events that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, the County acquired sewer system infrastructure assets as well as the remaining balance of a long-term OWDA loan payable from the Village of South Webster located within Scioto County. This acquisition is recorded as a special item on the Statement of Activities.

NOTE 3 - 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.

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).

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

6. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

	Net Change in Fund Balance				
	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services
GAAP Basis	\$2,929,471	(\$375,315)	(\$233,164)	(\$440,591)	\$82,146
Increases (Decreases) Due to:					
Revenue Accruals	(189,152)	1,513	(24,224)	570,391	150,404
Expenditure Accruals	304,615	(21,008)	1,074,371	(37,276)	(32,721)
Encumbrances	(445,291)	(206,000)	(305,428)	(72,361)	(43,626)
Unrecorded Cash - 2013	209,997	6,295	226	95,662	20,748
Unrecorded Cash - 2014	(462,352)	(5,735)	0	(105,710)	(22,723)
Transfers	(13,492)	0	265,935	0	0
Advances	0	0	941,183	0	0
Perspective Differences	(333,158)	0	(1,129,618)	129,347	0
Budget Basis	\$2,000,638	(\$600,250)	\$589,281	\$139,462	\$154,228

NOTE 4 - 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;

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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;
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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

INVESTMENTS

As of December 31, 2014, the County had the following investments.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Fair Value	Maturity Date
STAROhio	\$114,697	average 53 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.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the County. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all County operations for the year ended December 31, 2014, was \$8.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Property:	
Residential/Agricultural	\$751,461,840
Commercial/Industrial/Public Utility	146,459,520
Public Utility Real	15,223,820
Public Utility Personal	88,935,600
Total Assessed Value	\$1,002,080,780

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, 2014, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - 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 2014.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2014, 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, 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, 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, 2014, was \$155,555, of which \$8,355 is considered to be due within one year.

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

	Amount
<u>Governmental Activities Intergovernmental Receivables</u>	
Board of DD contract services and subsidies	\$137,923
Board of DD program reimbursements	329,128
Bridges to Transition Grant	43,854
Casino Revenues	419,904
Community Development Block Grant	61,161
Human Services Grants / Reimbursements	15,191
Cents Per Gallon	382,574
Child Support Poundage	32,834
Children Services Grants / Reimbursements	583,571
Community Correction Grants	129,712
Emergency Management Performance Grant	9,672
Felony Delinquent Care and Custody Grant	224,501
Gas Tax	761,869
High Intensity Drug Trafficking Grant	14,774
Homestead / Rollback	241,250
Indigent Defense	56,218
Inmate Medical Reimbursement	2,874
Law Library Fines and Costs	913
Local Government	257,495
MVL Tax	1,126,205
Ohio Public Works Commission - Bridge Replacement Grant	233,675
Ohio Public Works Commission - Highway Improvement Grant	546,325
Prisoner Housing	58,458
Probation Improvement Incentive Grant	71,000
Rural Transit Program Grant	33,622
Regional Infant Hearing Grant	59,292
Bulletproof Vest Grant	5,863
Sheriff Rotary Patrols	84,322
Diesel Emmission Reduction Grant	228,180
Safety Grant	40,000
Title XX Grant	54,736
Victims of Crime Grant	76,223
Total Governmental Activities	6,323,319
<u>Business-Type Activities Intergovernmental Receivables</u>	
United States Department of Agriculture Grant - Minford Sewer System	3,240,244
Ohio Public Works Commission Grant - Eden Park Sewer Extension	59,298
Total Business-Type Activities	3,299,542
Total Intergovernmental Receivables	\$9,622,861

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8 - CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended December 31, 2014, was as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$1,573,594	\$0	\$0	\$1,573,594
Construction in Progress	172,589	94,547	(267,136)	0
Total Capital Assets, Not Being Depreciated	1,746,183	94,547	(267,136)	1,573,594
Depreciable Capital Assets:				
Land Improvements	2,410,724	860,145	0	3,270,869
Buildings and Building Improvements	47,178,428	414,993	(12,045)	47,581,376
Furniture, Fixtures, and Equipment	6,468,622	408,287	(146,873)	6,730,036
Vehicles	4,997,715	452,772	(957,108)	4,493,379
Infrastructure	74,312,853	3,127,492	(146,966)	77,293,379
Total Depreciable Capital Assets	135,368,342	5,263,689	(1,262,992)	139,369,039
Less Accumulated Depreciation:				
Land Improvements	(278,924)	(132,274)	0	(411,198)
Buildings and Building Improvements	(15,721,296)	(906,483)	3,003	(16,624,776)
Furniture, Fixtures, and Equipment	(4,916,116)	(361,753)	70,487	(5,207,382)
Vehicles	(3,629,312)	(341,954)	887,641	(3,083,625)
Infrastructure	(26,920,643)	(2,019,834)	115,933	(28,824,544)
Total Accumulated Depreciation	(51,466,291)	(3,762,298) *	1,077,064	(54,151,525)
Depreciable Capital Assets, Net	83,902,051	1,501,391	(185,928)	85,217,514
Governmental Activities				
Capital Assets, Net	\$85,648,234	\$1,595,938	(\$453,064)	\$86,791,108

*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$172,048
Judicial	87,491
Public Safety:	
Sheriff	430,366
Other	210,010
Public Works	2,217,197
Health	249,963
Human Services	74,376
Conservation and Recreation	243,329
Transportation	77,518
Total Depreciation Expense	<u>\$3,762,298</u>

SCIOTO COUNTY, OHIO
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Capital assets activity of the business-type activities for the year ended December 31, 2014, was as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$472,919	\$15,080	\$0	\$487,999
Construction in Progress	5,128,146	17,402,382	(3,180,159)	19,350,369
Total Capital Assets, Not Being Depreciated	5,601,065	17,417,462	(3,180,159)	19,838,368
Depreciable Capital Assets:				
Land Improvements	7,393	0	0	7,393
Buildings and Building Improvements	7,246,482	0	0	7,246,482
Furniture, Fixtures, and Equipment	754,778	13,735	0	768,513
Vehicles	282,349	0	0	282,349
Infrastructure	14,889,067	6,882,347	0	21,771,414
Total Depreciable Capital Assets	23,180,069	6,896,082	0	30,076,151
Less Accumulated Depreciation:				
Land Improvements	(909)	(370)	0	(1,279)
Buildings and Building Improvements	(3,105,907)	(144,930)	0	(3,250,837)
Furniture, Fixtures, and Equipment	(702,260)	(6,992)	0	(709,252)
Vehicles	(236,674)	(17,422)	0	(254,096)
Infrastructure	(4,149,612)	(269,594)	0	(4,419,206)
Total Accumulated Depreciation	(8,195,362)	(439,308)	0	(8,634,670)
Depreciable Capital Assets, Net	14,984,707	6,456,774	0	21,441,481
Business-Type Activities Capital Assets, Net	<u>\$20,585,772</u>	<u>\$23,874,236</u>	<u>(\$3,180,159)</u>	<u>\$41,279,849</u>

For the year ended December 31, 2014, the County's enterprise fund acquired the Village of South Webster's Sewer System. The value of the asset at the time of acquisition was \$15,080 for land and \$3,343,000 for infrastructure.

NOTE 9 - 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 18) 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.

SCIOTO COUNTY, OHIO
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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 2014. Current limits for claims incurred in calendar year 2014 are \$125,000 per claim and 150 percent of the annual premium in the aggregate. The minimum premium portion of intergovernmental payable is \$202,397 and the actual claim costs are \$109,333. 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, 2014, through December 31, 2014, total \$186,445 and are recorded within long-term liabilities in the government-wide financial statements.

The County provides health, dental and vision insurance for its employees through the County Employee Benefits Consortium of Ohio (CEBCO). This is a fully funded insurance program and is not considered limited risk health insurance.

The amounts reported in the government-wide financial statements at December 31, 2014, 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
2013	\$157,068	\$170,847	\$181,006	\$146,909
2014	146,909	109,333	69,797	186,445

NOTE 10 - 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 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 plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 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 public safety and law enforcement 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 the State and local classifications. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percent not to exceed 2 percent. For the year ended December 31, 2014, members in State and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12 percent and 13 percent, respectively. While members in the State and local classifications may participate in all three plans, public safety and law enforcement classifications exist only within the traditional plan. For 2014, member and employer contribution rates were consistent across all three plans.

The County's 2014 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.1 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012 was \$2,609,408, \$2,826,413, and \$2,073,550, respectively. For 2014, 90.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$28,219 made by the County and \$20,157 made by the plan members.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description – The County participates in 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 divided by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The County's required contributions for pension obligations to STRS Ohio for the fiscal years ended December 31, 2014, 2013, and 2012 were \$91,873, \$89,512, and \$90,794, respectively. The full amount has been contributed for all three fiscal years.

NOTE 11 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, State and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 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 postemployment healthcare benefits. The portion of the employer contribution allocated to healthcare for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to healthcare remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The County's contribution allocated to fund postemployment healthcare benefits for the years ended December 31, 2014, 2013, and 2012 was \$422,744, \$211,288, and \$800,612, respectively. For 2014, 90.36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the healthcare plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved healthcare changes, OPERS expects to be able to consistently allocate 2 percent of the employer contribution toward the healthcare fund after the end of the transition period.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description – The County participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The STRS Board

voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014. The County's contributions for health care for the fiscal years ended December 31, 2014, 2013, and 2012 were \$3,281, \$6,886, and \$6,984, respectively. The full amount has been contributed for all three fiscal years .

NOTE 12 - 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.

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 the County Employee Benefits Consortium of Ohio (CEBCO) for the year. Also, vision insurance and life insurance were provided by Anthem Vision Service Plan and Anthem Life, respectively.

Health insurance for employees of the Board of Developmental Disabilities was provided by United Healthcare. 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 Plan of Ohio and Assurant Employee Benefits, respectively.

NOTE 13 - LEASES – LESSEE DISCLOSURE

During 2014 and in prior years, the County entered into capitalized leases for energy-saving renovations to certain buildings and for furniture, fixtures, and equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

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-

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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 Position 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.

General capital assets consisting of buildings and improvements, vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$3,094,253. A corresponding liability was recorded on the Statement of Net Position for governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2014 totaled \$344,086 in the governmental funds.

The assets acquired through capital leases as of December 31, 2014, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Buildings and Improvements	\$2,850,818	\$535,388	\$2,315,430
Furniture, Fixtures, and Equipment	243,435	123,025	120,410
Total	<u>\$3,094,253</u>	<u>\$658,413</u>	<u>\$2,435,840</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, 2014:

Year Ending December 31,	Amount
2015	\$398,149
2016	376,421
2017	208,925
2018	59,044
2019	26,475
2020-2024	108,000
2025-2028	82,800
Total	<u>1,259,814</u>
Less: Amount Representing Interest	<u>(193,520)</u>
Present Value of Net Minimum Lease Payments	<u>\$1,066,294</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 2014 were \$4,772, which were paid from the Public Assistance Special Revenue Fund.

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

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	Year Ending December 31,	Amount
	2015	\$4,772
	2016	4,375
Total		\$9,147

NOTE 14 - 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. On April 1, 2014, the County Sanitary Engineer’s Office assumed control of operations of the Village of South Webster’s Sewer System. The South Webster Sewer System also had an outstanding OWDA loan that the County is now responsible for repaying. This consists of a 9 year general obligation loans payable. The Wastewater Treatment and Collection System for South Webster project is complete. 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. During 2014, the County retired all of the OWDA loans associated with the Minford Sewer project. Those loans were retired using monies received from the USDA Loan the County began receiving during 2014.

United States Department of Agriculture (USDA) Loans

The USDA loans consist of money owed to the United States Department of Agriculture for the Eden Park Sewer extension and Minford Sewer System projects. The liability for the Sewer Fund is recorded in the fund and government-wide financial statements. The loan will be repaid from the Sewer Fund. The future debt service requirements for the Eden Park Sewer extension project loan is not presented in

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2014 because the schedule is not available. The future debt service requirements for the Minford Sewer System project loan is not presented in 2014 because the project has not been completed by year end.

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 12/31/2013	Additions	Deletions	Principal Outstanding at 12/31/2014	Due Within One Year
<u>Business-Type Activity</u>					
<u>General Obligation Bonds</u>					
Franklin Furnace Sewer Improvement Bonds 1997 4.50% - \$846,000	\$666,419	\$0	\$15,985	\$650,434	\$16,705
West Portsmouth Sewer System Refunding Bonds 1999 4.50% - \$2,880,000	815,000	0	190,000	625,000	200,000
Wheelersburg Wastewater Treatment Plant Bonds 2004 4.50% - \$1,200,000	1,062,230	0	17,410	1,044,820	18,200
Rigrish Sewer Bonds 2006 4.50% - \$322,000	297,874	0	4,094	293,780	4,278
Total Enterprise General Obligation Bonds	2,841,523	0	227,489	2,614,034	239,183
<u>Farmer's Home Administration (FHA) Bonds</u>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	599,000	0	18,100	580,900	19,000
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	486,920	0	13,420	473,500	14,010
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	647,744	0	16,636	631,108	17,384
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	679,080	0	14,270	664,810	14,920
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	284,300	0	7,080	277,220	7,410
Total FHA Bonds	2,697,044	0	69,506	2,627,538	72,724
<u>OPWC Loans</u>					
2002 0% - \$162,352	73,054	0	8,118	64,936	8,118
2004 0% - \$162,100	89,146	0	8,106	81,040	8,106
2006 0% - \$235,543	158,986	0	11,778	147,208	11,778
2006 0% - \$9,482	6,401	0	474	5,927	474
2008 0% - \$201,860	156,442	0	10,093	146,349	10,093
2009 0% - \$165,000	136,125	0	8,250	127,875	8,250
2012 0% - \$181,000	97,868	30,842	0	128,710	3,218
Total OPWC Loans	\$718,022	\$30,842	\$46,819	\$702,045	\$50,037

(Continued)

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Notes to the Basic Financial Statements
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	Principal Outstanding at 12/31/2013	Additions	Deletions	Principal Outstanding at 12/31/2014	Due Within One Year
<i>OWDA and USDA Loans</i>					
Wastewater Treatment and Collection System for South Webster 2003 0%	\$0	\$1,945,795	\$102,410	\$1,843,385	\$102,410
Minford Area Wastewater Loan 2009 5.47%	389,057	3,736	392,793	0	0
Wastewater Design for Minford, Clarktown, Muletown, and Rubyville Loan 2009 0%	350,075	0	350,075	0	0
Wastewater System Design Loan For Minford Project 2011 4.53%	806,113	7,119	813,232	0	0
Eden Park Extension USDA Loan 4.5%	989,886	371,735	20,500	1,341,121	0
Minford Sewer System Project USDA Loan 4.5%	0	5,302,580	0	5,302,580	0
Total OWDA and USDA Loans	2,535,131	7,630,965	1,679,010	8,487,086	102,410
<i>Other Long-Term Obligations</i>					
Compensated Absences	71,188	20,205	13,172	78,221	47,343
Total Business-Type Activities	\$8,862,908	\$7,682,012	\$2,035,996	\$14,508,924	\$511,697

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	OWDA Loans	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Principal	Interest
2015	\$239,183	\$119,194	\$72,724	\$121,837	\$50,037	\$102,410	\$464,354	\$241,031
2016	250,938	107,966	76,177	118,451	53,254	102,410	482,779	226,417
2017	257,784	96,114	79,624	114,903	53,254	102,410	493,072	211,017
2018	44,715	83,976	83,368	111,195	53,254	102,410	283,747	195,171
2019	46,713	81,964	87,361	107,312	53,254	102,410	289,738	189,276
2020-2024	267,103	376,389	501,298	471,620	250,006	512,051	1,530,458	848,009
2025-2029	332,849	310,598	629,674	343,388	149,463	512,051	1,624,037	653,986
2030-2034	414,796	228,652	742,553	182,281	36,305	307,233	1,500,887	410,933
2035-2039	422,890	128,601	354,759	37,457	3,218	0	780,867	166,058
2040-2044	304,294	44,064	0	0	0	0	304,294	44,064
2045-2046	32,769	2,228	0	0	0	0	32,769	2,228
Totals	\$2,614,034	\$1,579,746	\$2,627,538	\$1,608,444	\$702,045	\$1,843,385	\$7,787,002	\$3,188,190

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 position 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 refunded bonds were retired on August 1, 2004. The County Jail Bonds are being paid from general revenues of the County.

The 2013 Economic Development Facilities Refunding Revenue Bonds were issued December 10, 2013, for the purpose of advance refunding \$1,815,000 of the 1999 Shelton Industries General Obligation Bonds. The bonds are serial bonds and were issued with an interest rate of 0.55 – 5.05 percent for a twelve year period. The bonds will mature on December 1, 2025, and will be retired from the Debt Service Fund.

The 2014 Various Purpose Refunding Bonds were issued April 16, 2014, for the purpose of advance refunding \$4,545,000 of the 2004 County Jail General Obligation Bonds. The bonds are serial bonds and were issued with an interest rate of 2.00 – 4.00 percent for a fifteen year period. The bonds will mature on December 1, 2029, and will be retired from the Debt Service Fund.

The refunding resulted in the entire amount of the 2004 County Jail General Obligation Bonds being completely defeased.

2004 County Jail Bonds	
Outstanding at December 31, 2013	\$4,545,000
Amount Refunded from Refunding Bonds	<u>(4,545,000)</u>
Outstanding at December 31, 2014	<u><u>\$0</u></u>

Net proceeds of \$4,748,754 (including a \$4,276 premium on the new bonds, and after payment of \$135,522 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 2004 County Jail Bonds. As a result, \$4,545,000 of the bonds was considered defeased and the liability for the refunded bonds has been removed from the County's financial statements. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2014, \$4,545,000 of the refunded bonds were outstanding.

2004 County Jail Bonds	
Bonds	\$4,545,000
Discount on Bonds	<u>3,273</u>
Total 2004 County Jail Bonds	4,548,273
Payment to Refunded Bond Escrow Agent - Other Financing Use	<u>(4,748,754)</u>
2004 County Jail Bonds Refunding Accounting Loss	<u><u>(\$200,481)</u></u>

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Although the refunding will result in the recognition of an accounting loss of \$200,481, the County, in effect, decreased its aggregated debt service payments by \$292,758 over the next fifteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$224,843.

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.

Ohio Public Works Commission (OPWC) Loan

The OPWC loan consists of money owed to the Ohio Public Works Commission for various bridge replacement renovation projects. The liability for the bridge replacement fund is recorded in the fund and government-wide financial statements. The loan will be repaid from the Diehlman Road Bridge Replacement, Mackeltree Road Bridge Replacement, and Millers Run-Fallen Timber Road Bridge Replacement Capital Project Funds. The loans will be repaid from the General Fund.

Riverside Park Loans

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 has been 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 has been repaid from the General Fund.

Capital Leases and Compensated Absences

Capital leases will be paid from the General Fund and the Children Services, Public Assistance, Sheriff's Drug Enforcement, Dretac Treasurer, and Board of Developmental Disabilities Special Revenue Funds.

Compensated absences will be paid from the following governmental funds:

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

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

- General Fund
- Dog and Kennel Special Revenue Fund
- Probation Supervision Special Revenue Fund
- Engineer Special Revenue Fund
- Board of Developmental Disabilities Special Revenue Fund
- Sheriff's Policing Rotary Special Revenue Fund
- Coordinated Transportation Special Revenue Fund
- Victims of Crime Special Revenue Fund

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

	Principal Outstanding at 12/31/2013	Additions	Deletions	Principal Outstanding at 12/31/2014	Due Within One Year
<i>Governmental Activities</i>					
<i>General Obligation Bonds</i>					
Economic Development Facilities Refunding					
Revenue Bonds 2013 0.55 - 5.05% - \$1,815,000	\$1,815,000	\$0	\$135,000	\$1,680,000	\$130,000
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	4,545,000	0	4,545,000	0	0
Premium on County Jail Bonds	3,273	0	3,273	0	0
Various Purpose Refunding Bonds					
2014 2.00 - 4.00% - \$4,880,000	0	4,880,000	305,000	4,575,000	260,000
Premium on Various Purpose Bonds	0	4,276	190	4,086	0
Various Purpose Refunding Bonds					
2006 2.00 - 4.00 - 4.25% - \$2,930,000	1,935,000	0	250,000	1,685,000	265,000
Total General Obligation Bonds	8,298,273	4,884,276	5,238,463	7,944,086	655,000
<i>Other Long-Term Obligations</i>					
OPWC Loan 2013 0% - \$216,650	205,415	11,235	0	216,650	216,650
Riverside Park Tractor Loan 2011 2.50% - \$10,808	3,390	0	3,390	0	0
Riverside Park RTV Loan 2011 2.88% - \$10,835	626	0	626	0	0
Capital Leases	1,369,319	41,061	344,086	1,066,294	347,017
Compensated Absences	1,726,082	1,159,700	1,115,114	1,770,668	1,039,753
Ohio Bureau of Workers' Compensation Retrospective Rating Program Claims	146,909	109,333	69,797	186,445	186,445
Total Other Long-Term Obligations	3,451,741	1,321,329	1,533,013	3,240,057	1,789,865
Total Governmental Activities	\$11,750,014	\$6,205,605	\$6,771,476	\$11,184,143	\$2,444,865

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

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	General Obligation		OPWC	Totals	
	Bonds		Loans		
	Principal	Interest	Principal	Principal	Interest
2015	\$655,000	\$262,631	\$216,650	\$871,650	\$262,631
2016	665,000	245,596	0	665,000	245,596
2017	610,000	229,006	0	610,000	229,006
2018	630,000	212,606	0	630,000	212,606
2019	650,000	194,836	0	650,000	194,836
2020-2024	2,710,000	676,321	0	2,710,000	676,321
2025-2029	2,020,000	216,561	0	2,020,000	216,561
Totals	<u>\$7,940,000</u>	<u>\$2,037,557</u>	<u>\$216,650</u>	<u>\$8,156,650</u>	<u>\$2,037,557</u>

The County's total legal debt margin was \$22,673,447 with an unvoted debt margin of \$9,142,235 at December 31, 2014.

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, 2014, is \$19,800,000.

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, 2014, is \$1,010,000.

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, 2014, is \$345,000.

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, 2014, is \$111,875,000.

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.

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NOTE 15 - BOND ANTICIPATION NOTES PAYABLE

During 2014, the County retired the Commercial Property Acquisition Bond Anticipation Note in the amount of \$112,000 and reissued the note in the amount of \$87,000. The note is presented as a fund liability on the financial statements. The note will mature on September 10, 2015.

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

<u>Types / Issues</u>	<u>Balance at 12/31/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at 12/31/14</u>
<u>Governmental Activities</u>				
Commercial Property Acquisition				
Bond Anticipation Note				
September 12, 2013 - 3.00% - \$112,000	\$112,000	\$0	\$112,000	\$0
September 11, 2014 - 5.00% - \$87,000	0	87,000	0	87,000
Total Governmental Activities	<u>\$112,000</u>	<u>\$87,000</u>	<u>\$112,000</u>	<u>\$87,000</u>

NOTE 16 - INTERFUND ACTIVITY

Interfund balances at December 31, 2014, consist of the following individual fund receivables and payables:

		Receivables				
		General	Public Assistance	Motor Vehicle Gas Tax	Nonmajor Governmental Funds	Total
Payables	General	\$0	\$14,246	\$0	\$0	\$14,246
	Public Assistance	0	0	0	25,881	25,881
	Nonmajor					
	Governmental Funds	14,727	15,191	154,600	0	184,518
	Sewer	0	0	3,250	0	3,250
	Total	<u>\$14,727</u>	<u>\$29,437</u>	<u>\$157,850</u>	<u>\$25,881</u>	<u>\$227,895</u>

The Motor Vehicle Gas Tax Fund advanced money for services rendered to the County Sanitary Engineer Enterprise Fund. 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. All advances will be reimbursed either when funds become available or when payments for services are rendered.

Transfers made during the year ended December 31, 2014 were as follows:

SCIOTO COUNTY, OHIO
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		Transfers To		
		Public Assistance	Nonmajor Governmental Funds	Total
Transfers From	General	\$242,332	\$1,138,515	\$1,380,847
	Public Assistance	0	128,517	128,517
	Motor Vehicle Gas Tax	0	7,317	7,317
	Nonmajor Governmental Funds	0	7,600	7,600
	Total	\$242,332	\$1,281,949	\$1,524,281

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies were transferred from the General Fund, the Public Assistance Fund, the Motor Vehicle Gas Tax Fund, and from nonmajor special revenue funds to nonmajor debt service funds to make debt service payments. Real Estate monies were transferred to other real estate funds to help with expenditures.

NOTE 17 - 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.

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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The ADAMHS Board received a contribution from the County of \$2,000 during 2014.

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

Council exercises total control over of operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Council. The Ohio Valley Resource Conservation and Development Area, Inc. received no contributions from the County during 2014; 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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The Workforce Investment Board received no contributions from the County during 2014.

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 Commission exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Commission. The County contributed \$13,341 to the Commission during the year.

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 organization exercises total control over the operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation in the organization. In 2014, 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. The organization exercises total control over its operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation with the organization. During 2014, 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 exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation in the Authority. The Authority received no contributions from the County during 2014.

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 Board exercises total control over operations including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the Board. The County paid the Council \$240,221 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.

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 had been maintained by Lawrence County. In November 2012, Scioto County became the permanent fiscal agent for the District.

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 \$165,623 as of December 31, 2014. Complete financial statements can be obtained from the Scioto County Auditor's Office at 602 7th Street, Room 103, Portsmouth, OH 45662.

NOTE 18 - 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 2014 was \$390,323. Financial statements may be obtained by contacting the County Commissioners' Association of Ohio at 209 East State Street, Columbus, Ohio 43215-4309.

NOTE 19 – 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 twenty-one member Board of Trustees appointed by the Scioto County Commissioners. The Trustees adopt their own appropriations, hire and fire their own staff, authorize the Authority's expenditures, and do not rely on the County to finance deficits.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 20 – SIGNIFICANT COMMITMENTS

Contractual Commitments

As of December 31, 2014, the County had the following contractual purchase commitments for various projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2014
2016 Reappraisal - Tyler Technologies, Inc.	\$815,000	\$255,340	\$559,660
Minford Sewer Extension - EMH&T	3,855,720	2,690,315	1,165,405
Minford Sewer Extension - Tri-State Pipeline - Minford	5,662,060	5,384,450	277,610
Minford Sewer Extension - Tri-State Pipeline - Clarktown	5,702,441	3,071,273	2,631,168
Minford Sewer Extension - Mike Enyart & Sons	7,507,131	5,776,280	1,730,851
Minford Sewer Extension - Mechanical Construction	4,503,710	2,400,551	2,103,159
Total	<u>\$28,046,062</u>	<u>\$19,578,209</u>	<u>\$8,467,853</u>

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds:	
General	\$456,779
Public Assistance	206,001
Motor Vehicle Gas Tax	305,428
Board of Developmental Disabilities	74,411
Children Services	43,626
Nonmajor Governmental Funds	<u>1,334,017</u>
Total Governmental Funds	2,420,262
Proprietary Funds:	
Sanitary Sewer	<u>157,135</u>
Total	<u>\$2,577,397</u>

NOTE 21 - 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, 2014, to December 31, 2014, 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 22 - 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 2014, these contributions were \$228,153.

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 2014, these contributions were \$53,201.

NOTE 23 - 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:

SCIOTO COUNTY, OHIO
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Fund Balances	General	Public Assistance	Motor Vehicle Gas Tax	Board of Developmental Disabilities	Children Services	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>							
Prepays	\$116,280	\$127,098	\$8,488	\$70,159	\$32,873	\$15,271	\$370,169
Materials and Supplies Inventory	70,630	14,783	308,740	9,244	500	1,950	405,847
Unclaimed Monies	322,256	0	0	0	0	0	322,256
<i>Total Nonspendable</i>	509,166	141,881	317,228	79,403	33,373	17,221	1,098,272
<i>Restricted for</i>							
Human Service Programs	0	1,080,577	0	0	0	2,129,148	3,209,725
Public Works	0	0	2,505,599	0	0	0	2,505,599
Health Programs	0	0	0	2,088,096	1,347,921	183,392	3,619,409
Judicial Programs	0	0	0	0	0	584,967	584,967
Public Safety Programs	0	0	0	0	0	2,569,764	2,569,764
Economic Development and Assistance	0	0	0	0	0	520,087	520,087
Transportation	0	0	0	0	0	213,631	213,631
Capital Improvements	0	0	0	0	0	876,200	876,200
Debt Service	0	0	0	0	0	43,543	43,543
Other Purposes	0	0	0	0	0	1,744,559	1,744,559
<i>Total Restricted</i>	0	1,080,577	2,505,599	2,088,096	1,347,921	8,865,291	15,887,484
<i>Committed to</i>							
Judicial Programs	0	0	0	0	0	355,889	355,889
<i>Assigned to</i>							
Debt Service	2,835	0	0	0	0	22,884	25,719
Unpaid Obligations	213,096	0	0	0	0	0	213,096
Public Safety Programs	53,662	0	0	0	0	0	53,662
Other Purposes	95,401	0	0	0	0	0	95,401
<i>Total Assigned</i>	364,994	0	0	0	0	22,884	387,878
<i>Unassigned</i>	8,385,519	0	0	0	0	0	8,385,519
<i>Total Fund Balances</i>	\$9,259,679	\$1,222,458	\$2,822,827	\$2,167,499	\$1,381,294	\$9,261,285	\$26,115,042

NOTE 24 – CHANGE IN ACCOUNTING PRINCIPLE

For 2014, the County implemented Governmental Accounting Standards Board (GASB) *Statement 69 “Government Combinations and Disposals of Government Operations.”* GASB 69 discusses accounting treatment for a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Village of South Webster transferred its sewer operations to the County during 2014. The transfer did not have an effect on beginning net position. See Note 25 for more information about the transfer of operations.

NOTE 25 – TRANSFER OF OPERATIONS

Under an intergovernmental agreement between the Village of South Webster (Village) and the County, the Village agreed to combine its sewer services with the County’s sewer service for the purpose of enhancing the provision of those services to the Village’s citizens. On April 1, 2014, the Village transferred the assets and liabilities comprising its sewer service operations to the County. As a result of the transfer, the County recognized the following assets, liabilities, and special item:

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Transferred Assets:

Land	\$ 15,080
Infrastructure	3,343,000

Transferred Liabilities:

OWDA Loan	\$1,945,795
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Net Position of Transferred Sewer Operations:

Special Item	\$1,412,285
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NOTE 26 – COMPLIANCE

Economic Adjustment Assistance Federal Grant, CFDA #11.307

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, 2013 through March 31, 2014, and April 1, 2014 through September 30, 2014, RL income exceeded administrative expenses by a total of \$2,823.16. The \$2,823.16 should have been paid into the RLF capital and used for lending. Since the semi-annual reports were not filed it could not be determined if the County properly included this amount in the RLF capital base.

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 reports for the audit period.

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. The County did not adequately monitor its subrecipients during the audit period.

Community Development Block Grants/State's Program Federal Grant, CFDA #14.228

24 C.F.R. Section 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. 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 did not comply with this requirement during the audit period.

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statements of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often

done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors.

2 CFR part 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. The County entered into contracts with vendors for which determination as to suspension or debarment status had not been made.

Water and Waste Disposal Systems for Rural Communities Program Cluster, CFDA #10.760 & #10.781

2 CFR part 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. The County entered into contracts with vendors for which determination as to suspension or debarment status had not been made.

NOTE 27 – SUBSEQUENT EVENTS

On March 31, 2015, the County purchased the Courthouse Annex building and several parking lots for the amount of \$1,156,022.

NOTE 28 - 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 position 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, 2014, follows:

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

Machinery and Equipment	\$280,819
Less: Accumulated Depreciation	<u>(239,296)</u>
Total Capital Assets (Net)	<u><u>\$41,523</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 proprietary funds using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

Due from Other Governments - Due from other governments represents intergovernmental revenue to be received from the FAA for improvements to the airport runways.

Capital Assets - A summary of the Scioto County Airport Authority's capital assets at December 31, 2014, follows:

Land	\$365,737
Land Improvements	1,318,753
Buildings	1,756,801
Machinery and Equipment	167,709
Vehicles	142,950
Less: Accumulated Depreciation	<u>(1,439,844)</u>
Total Capital Assets (Net)	<u><u>\$2,312,106</u></u>

Scioto County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

FEDERAL GRANTOR/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>			
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities Program			
Water and Waste Disposal Systems for Rural Communities - Grant	N	10.760	\$ 631,037
Water and Waste Disposal Systems for Rural Communities - Loan	N		<u>454,992</u>
Total Water and Waste Disposal Systems for Rural Communities Program			1,086,029
Water and Waste Disposal Systems for Rural Communities Program - ARRA			
Water and Waste Disposal Systems for Rural Communities - ARRA - Grant	N	10.781	10,588,018
Water and Waste Disposal Systems for Rural Communities - ARRA - Loan	N		<u>4,546,821</u>
Total Water and Waste Disposal Systems for Rural Communities Program - ARRA			15,134,839
Total Water and Waste Disposal Systems for Rural Communities Program Cluster			16,220,868
<i>Passed through Ohio Department of Job and Family Services</i>			
Supplemental Nutrition Assistance Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5423	10.561	<u>527,337</u>
Total U.S. Department of Agriculture			16,748,205
<u>UNITED STATES DEPARTMENT OF COMMERCE</u>			
<i>Direct from the Economic Development Administration</i>			
Economic Adjustment Assistance	N	11.307	<u>145,609</u>
Total U.S. Department of Commerce			145,609
<u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program			
Community Development Program	B-F-12-1CP-1	14.228	29,524
Community Development Program	B-F-13-1CP-1		130,808
Community Housing Improvement Program	B-C-12-1-CP-1		<u>21,456</u>
Total Community Development Block Grants/State's Program			181,788
<i>Passed through Ohio Department of Development:</i>			
Home Investment Partnerships Program	B-C-12-1-CP-2	14.239	<u>86,931</u>
Total U.S. Department of Housing and Urban Development			268,719
<u>UNITED STATES DEPARTMENT OF THE INTERIOR</u>			
<i>Direct from the Federal Government</i>			
Payments in Lieu of Taxes	N	15.226	<u>8,833</u>
Total U.S. Department of the Interior			8,833
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>			
<i>Direct from the United States Marshals Service</i>			
Equitable Sharing Program	N	16.922	168,213
Edward Byrne Memorial Justice Assistance Grant (JAG) Program:			
<i>Passed through the City of Portsmouth, Ohio</i>			
Edward Byrne Memorial Justice Assistance Grant Program	2011-DJ-BX-3293	16.738	5,337
	2012-DJ-BX-0745		5,535
	2013-DJ-BX-0757		<u>5,276</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			16,148
<i>Passed through the Ohio Attorney General, Crime Victims Section</i>			
Crime Victim Assistance	2015-VOCA-10216317	16.575	<u>437</u>
Total U.S. Department of Justice			184,798

(Continued)

Scioto County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

FEDERAL GRANTOR/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-1713	20.106	17,718
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	PID96902	20.205	426,657
	PID96903		433,488
	PID93991		508,761
	PID94606		11,311
Total Highway Planning and Construction			1,380,217
Formula Grants for Rural Areas	RPTF-4119-034-141	20.509	345,044
	RPTF-0119-034-143		26,329
	RPTF-0119-034-144		87,351
Total Formula Grants for Rural Areas			458,724
Total Passed Through Ohio Department of Transportation			1,838,941
<i>Passed Through Ohio Department of Public Safety, Office of Criminal Justice Services</i>			
State and Community Highway Safety	HVEO-2014-73-00-00-00401-00	20.600	23,996
National Priority Safety Programs	IDEP-2015-73-00-00-00442-00	20.616	4,780
Total Passed Through Ohio Department of Public Safety, Office of Criminal Justice Services			28,776
Total U.S. Department of Transportation			1,885,435
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
<i>Passed through Ohio Department of Education:</i>			
Special Education- Grants to States	078063-6BSF-2014	84.027	40,571
	078063-6BSF-2015		26,902
Total Special Education- Grants to States			67,473
Special Education- Preschool Grants	078063-PGS1-2014	84.173	6,881
	078063-PGS1-2015		4,587
Total Special Education- Preschool Grants			11,468
Total Special Education Cluster			78,941
Total Passed through the Ohio Department of Education			78,941
<i>Passed through Ohio Department of Health</i>			
Special Education-Grants for Infants and Families	73-1-001-1-IHO-213	84.181	6,239
	73-1-001-1-IHO-314		5,602
	73-1-001-1-IHO-415		1,285
Total Special Education - Grants for Infants and Families			13,126
Total Passed through the Ohio Department of Health			13,126
Total United States Department of Education			92,067
<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-1415-11-5424	93.556	43,520
Child Support Enforcement	G-1415-11-5423	93.563	658,953
Community-Based Child Abuse Prevention Grants	G-1415-11-5424	93.590	1,035
Stephanie Tubbs Jones Child Welfare Services Program	G-1415-11-5424	93.645	50,429
Foster Care Title IV-E	G-1415-11-5424	93.658	731,781
Adoption Assistance	G-1415-11-5424	93.659	138,296
Chafee Foster Care Independence Program	G-1415-11-5424	93.674	31,609
Social Services Block Grant	G-1415-11-5423	93.667	612,131

(Continued)

Scioto County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

FEDERAL GRANTOR/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
Temporary Assistance for Needy Families (TANF)	G-1415-11-5423	93.558	2,896,715
Child Care and Development Block Grant	G-1415-11-5423	93.575	177,840
Medical Assistance Program	G-1415-11-5423	93.778	<u>1,284,459</u>
Total Passed through the Ohio Department of Job and Family Services			6,626,768
<i>Passed through Ohio Developmental Disabilities Council</i>			
Developmental Disabilities Basic Support and Advocacy Grants	12CL08TR12	93.630	13,508
<i>Passed through Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	N/A	93.667	57,829
Medical Assistance Program - Medicaid Administrative Claiming (MAC)	N/A	93.778	<u>243,823</u>
Total Passed through the Ohio Department of Developmental Disabilities			301,652
<i>Passed through Ohio Department of Health</i>			
Universal Newborn Hearing Screening	73-1-001-1-IHO-213 73-1-001-1-IHO-314 73-1-001-1-IHO-415	93.251	1,118 4,750 <u>1,094</u> 6,962
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	73-1-001-1-IHO-213 73-1-001-1-IHO-314 73-1-001-1-IHO-415	93.283	282 3,191 <u>748</u> 4,221
Maternal and Child Health Services Block Grant to the States	73-1-001-1-IHO-213 73-1-001-1-IHO-314 73-1-001-1-IHO-415	93.994	1,587 6,891 <u>1,581</u> 10,059
Total Passed through Ohio Department of Health			<u>21,242</u>
Total United States Department of Health and Human Services			6,963,170
<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	G12OH0001A G13OH0001A G14OH0001A	95.001	1,500 4,715 <u>13,008</u>
Total U.S. Executive Office of the President			19,223
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	EMW-2013-EP-00060-S01 EMW-2014-EP-00064	97.042	27,083 <u>7,703</u>
Total Passed through the Ohio Emergency Management Agency			<u>34,786</u>
Total U.S. Department of Homeland Security			<u>34,786</u>
<u>UNITED STATES ELECTION ASSISTANCE COMMISSION</u>			
<i>Passed through Ohio Secretary of State:</i>			
Help America Vote Act Requirement Payments	N/A	90.401	<u>1,770</u>
Total U.S. Election Assistance Commission			<u>1,770</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 26,352,615</u>

N - Direct Federal Grant

N/A - Pass through entity number not available

See accompanying notes to the schedule of expenditures of federal awards.

Scioto County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the County’s federal awards programs’ disbursements. The Schedule has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$49,042
Loans made	0
Loans written off	0
Loan principal repaid	(945)
Ending loans receivable balance as of December 31, 2014	48,097
Cash balance on hand in the revolving loan fund as of December 31, 2014	12,724
Administrative costs expended during 2014	0
Total value of RLF portion of the CDBG Program	60,821
Other grants administered through the CFDA # 14.228 Program	181,788
Total CDBG CFDA # 14.228 Program	\$242,609
Delinquent Amounts Due as of December 31, 2014	\$0

The table above reports gross loans receivable. 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, 2014 was \$6,759. There were no receipts or expenditures from the account during 2014.

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, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

NOTE D – UNITED STATES DEPARTMENT OF AGRICULTURE GRANT/LOAN – MINFORD SEWER PROJECT

In 2010, the County was awarded grants totaling \$14,507,000 and loans totaling \$14,912,000 from the United States Department of Agriculture (USDA) Water and Waste Disposal Systems Program - ARRA (CFDA #10.781). Interim loans totaling \$1,566,863 were obtained from the Ohio Water Development Authority and were reported on the County's Schedule of Federal Awards Expenditures in 2011-2012. From 2010-2013, the County made principal payments totaling \$148,085 on the OWDA loans with non-federal monies. The County began receiving grant and loan proceeds related to this award from the USDA in 2014. The OWDA interim loans were repaid in 2014 with portions of the USDA grant and loan proceeds. Because the expenditures related to the OWDA interim loan principal amounts have previously been reported on the Schedule, they will not be reported for 2014. The County also used proceeds from the USDA grant and loan to pay accrued interest charges on the OWDA loans. These expenditures were not previously reported and will be included on the Schedule for 2014.

The amount reported on the Schedule for 2014 is detailed as follows:

	Grant Proceeds	Loan Proceeds
USDA Grant and Loan Proceeds Received in 2014 for the Minford Sewer Project:	\$11,266,756	\$5,286,861
Less amounts related to payoff of principal amounts on OWDA interim loans, previously reported in 2011 and 2012:	<u>(678,738)</u>	<u>(740,040)</u>
Funding received and expended in 2014, reportable on the 2014 Schedule:	<u>\$10,588,018</u>	<u>\$4,546,821</u>

NOTE E – MAC RECONCILIATION PAYMENT

During the calendar year, the County Board of Developmental Disabilities received a payment for a MAC Reconciliation of calendar year 2011 and 2012 MAC payments from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$5,198.45. The MAC Reconciliation payment was to correct manual data entry errors of the Medicaid Eligibility Rates from Excel into the new RMTS system. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods.

NOTE F – ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) REVOLVING LOAN PROGRAM

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses for the purpose of enhancing the County's ability to compete economically by stimulating private investment. The federal Department of Commerce Office of Economic Development Administration (EDA) grants money for these loans to the County. The County uses loan repayments and interest received to make additional loans. Subsequent loans are subject to the same compliance requirements imposed by EDA as the initial loans. These loans are collateralized by mortgages on the properties.

Scioto County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

**NOTE F – ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) REVOLVING LOAN PROGRAM
(CONTINUED)**

Activity in the EDA revolving loan fund during 2014 is as follows:

Beginning loans receivable balance as of January 1, 2014	\$82,182
Loans made	0
Loans written off	0
Loan principal repaid	<u>(5,867)</u>
Ending loans receivable balance as of December 31, 2014	76,315
Cash balance on hand in the revolving loan fund as of December 31, 2014	76,957
Administrative costs expended during 2014	<u>0</u>
Subtotal	153,272
Total original EDA funding amount	4,790,000
Total original funding amount	<u>5,040,000</u>
Federal Participation Rate	95%
Federal Awards Expended	<u><u>\$145,609</u></u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

June 17, 2015

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Commissioners
Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

Report on Compliance for Each Major Federal Program

We have audited Scioto County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Economic Adjustment Assistance and Community Development Block Grants/State's Grants Program Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA #11.307 Economic Adjustment Assistance as described in finding 2014-002 for Reporting, 2014-003 for Program Income/ Special Tests and Provisions, and 2014-004 for Subrecipient Monitoring, and regarding CFDA #14.228 Community Development Block Grants/State's Program as described in finding 2014-005 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Qualified Opinion on Economic Adjustment Assistance and Community Development Block Grants/State's Grants Program Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Adjustment Assistance and Community Development Block Grants/State's Program major federal programs for the year ended December 31, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-008. Our opinion on each of the major federal programs was not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002 through 2014-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-008 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

June 17, 2015

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Qualified for Economic Adjustment Assistance (CFDA #11.307) and Community Development Block Grants/State’s Program (CFDA #14.228) Unmodified for Water and Waste Disposal Systems for Rural Communities Program Cluster (CFDA #10.760, 10.781)
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Economic Adjustment Assistance (CFDA #11.307) Community Development Block Grants/State's Program (CFDA #14.228) Water and Waste Disposal Systems for Rural Communities Program Cluster (CFDA #10.760, 10.781)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$790,578 Type B: all others
Auditee qualified as low-risk auditee?	No

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Section II – Financial Statement Findings

Finding 2014-001

Significant Deficiency – Maintaining Proper Supporting Documentation - STAR, Inc.

Maintenance of supporting documentation and proper billing is pertinent to ensure a proper audit trail which provides assurance that what is being billed is accurate and complete.

Instances were identified where incorrect overhead rates were used in calculating amounts to be invoiced, as well as instances where the number of hours worked for a particular overhead rate on STAR's supporting excel spreadsheet did not match the number of hours for that particular overhead rate on the invoice. Instances were also noted where an employee's number of hours worked per individual timesheets did not agree to the hours carried to STAR's supporting excel spreadsheet or an employee and their hours were not carried over to the invoice. Noted also that STAR included hours worked by employees on incorrect invoices (Sub ISF hours on MRDD invoice, but should've been billed on Board of MRDD invoice). As it relates to the Bridges Grant, noted instances where charges for Supplies, Travel, Other Direct costs, and in one instance Equipment Lease costs, had no support. As it relates to Board of MRDD invoices, noted instances where mowing was incorrectly charged, as well as instances where Vehicle Maintenance, Clean Star, Transportation and Mowing charges were either not fully supported or had no support.

Failure to maintain supporting documentation and ensuring that billing is proper could result in over/under billing and subjects STAR to not being paid properly for services rendered. STAR, Inc. should implement procedures to ensure that supporting documentation is maintained and that billing is accurate.

Client Response:

STAR is in the process of implementing a new system for documenting invoices in which they issue. This new system will feature a three way match between the invoice being issued, a workpaper/summary document which shows how the invoice was calculated, and the originating document(s) in which the invoice is based. It is also required that management understands and signs off that all three documents accurately match.

Two examples of this system:

- For invoices based on time, management will sign off that the time on the invoice matches time on the workpaper/summary document and the time entered into the payroll system.
- For invoices regarding supplies or other direct costs, management will sign off that the line items of the invoice matches the workpaper/summary document and the actual expense entered into accounts payable.

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Section III – Federal Award Findings and Questioned Costs

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

Finding 2014-002

Noncompliance/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 (From 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.

The County did not file any semi-annual reports for the audit period. 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. The County’s RLF Manager should 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 to attempt to get these up to date as soon as possible.

Responsible Official’s Response and Corrective Action Planned:

The County agrees with the issue and is aware reports have not been filed with EDA. Efforts have been made to work with EDA to resolve this issue but the program is currently suspended.

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Planned Implementation Date of Corrective Action:

Unknown

Person Responsible for Corrective Action:

Board of Commissioners

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

Finding 2014-003

Noncompliance/Material Weakness – Program Income/Special Tests and Provisions

13 C.F.R. Section 307.14 states that all Revolving Loan Fund (RLF) Income must be placed into the RLF Capital base for the purpose of making loans or payment 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 periods of October 1, 2013 through March 31, 2014 and April 1, 2014 through September 30, 2014, RLF income exceeded administrative expense by a total of \$2,823.16. This resulted in \$2,823.16 that should have been paid into the RLF capital base and used for lending. Since the semi-annual reports were not filed it could not be determined if the County properly included this amount in RLF capital base.

Responsible Official’s Response and Corrective Action Planned:

The County agrees with this issue and will monitor the issue in the future. If the RLF income exceeds administrative expenses, the County will transfer those funds to the RLF capital for lending purposes.

Planned Implementation Date of Corrective Action:

June 2015

Person Responsible for Corrective Action:

Board of Commissioners

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
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For the Year Ended December 31, 2014

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

Finding 2014-004

Noncompliance/Material Weakness – Subrecipient Monitoring

Office of Management and Budget (OMB) Circular A-133, Subpart D, Section 400(d)(3) states a pass-through entity shall monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. A pass-through entity needs to establish an appropriate subrecipient monitoring process to decide what, if any, additional monitoring procedures may be necessary to ensure the subrecipients' compliance.

For the audit period it was noted that two of the subrecipients were in default of their loan agreements. The County had agreements in place with the borrowers that stated that the borrower will deliver to the lender (the County) within 15 days of the ending of each quarter, the following financial reports:

1. quarterly accounts receivable listing and aging
2. quarterly accounts payable listing and aging
3. quarterly internally prepared financial statements along with a certification of compliance with covenants contained in the credit agreements from the senior lender
4. annual audited financial statements prepared by an independent auditor acceptable to Scioto County
5. annual personal financial statements from each guarantor in a form satisfactory to Scioto County

Additionally, the agreements state that in the event of default, the borrower for such period of time as the borrower remains in default of the above enumerated financial reported items, shall be provided by borrower on a monthly basis and provided within seven (7) days of the end of each month.

The agreements also require annual audited financial statements prepared by an independent auditor chosen by or acceptable to the County.

Furthermore, the agreement states that the borrower will deliver to the lender (County) within fifteen (15) days after a written request from the lender such information as deemed reasonably necessary to determine compliance with its covenants and agreements contained in the loan agreement or an event of default has occurred.

The County did not request or obtain any of the information listed above from borrowers, nor was there any other evidence of subrecipient monitoring. The County should monitor subrecipients in accordance with its loan agreements which would in turn satisfy federal requirements.

Responsible Official's Response and Corrective Action Planned:

The County agrees with this issue and is currently working with the Assistant Prosecuting Attorney to develop a plan to monitor subrecipients in accordance with its loan agreement.

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Planned Implementation Date of Corrective Action:

June 2015

Person Responsible for Corrective Action:

Board of Commissioners

CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number and Year	B-F-13-1CP-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Finding 2014-005

Noncompliance/Material Weakness – Cash Management

24 C.F.R. Section 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 (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.

The County did not disburse the balance of draw downs to a balance of less than \$5,000 within fifteen days. The County should 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.

Responsible Official's Response and Corrective Action Planned:

The County will work to ensure compliance within the 15 Day Rule relating to prompt disbursement of funds. The County will work to keep the balance of funds less than \$5,000. With electronic transfer of funds now available this should be manageable.

Planned Implementation Date of Corrective Action:

Immediately

Person Responsible for Corrective Action:

Board of Commissioners

Scioto County Financial Condition
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For the Year Ended December 31, 2014

CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number and Year	B-F-12-1CP-1
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Finding 2014-006

Noncompliance/Significant Deficiency – Davis Bacon

24 C.F.R. Section 570.603 includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149). The County did not obtain certified payrolls from one of its contractors. The County should ensure that weekly certified payrolls are obtained from all contractors and subcontractors.

Responsible Official's Response and Corrective Action Planned:

Emnett Construction was the contractor but used two subcontractors to complete the work. County staff completed employee interviews and cross-referenced with the Federal Davis Bacon Wage Rates to ensure wages were paid correctly. County staff will ensure in the future to collect payroll reports.

Planned Implementation Date of Corrective Action:

Immediately

Person Responsible for Corrective Action:

Board of Commissioners

CFDA Title and Number	Community Development Block Grants/State's Program, CFDA #14.228
Federal Award Number and Year	B-F-13-1CP-1
Federal Agency	States Department of Housing and Urban Development
Pass-Through Entity	Ohio Department of Development

Finding 2014-007

Noncompliance/Significant Deficiency – Suspension and Debarment

2 CFR part 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2014

Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://www.sam.gov/portal/SAM/#!/>).

The County entered into contracts with vendors for which determination as to suspension or debarment status had not been made. The County should implement procedures to ensure that suspension and debarment determinations are made, and documented, prior to awarding a contract to be paid for with federal funds.

Responsible Official’s Response and Corrective Action Planned:

Because this was a non-construction project, staff believed this documentation was not necessary. Staff will ensure that debarment determination will be made on all projects (construction or non-construction).

Planned Implementation Date of Corrective Action:

Immediately

Person Responsible for Corrective Action:

Board of Commissioners

CFDA Title and Number	Water and Waste Disposal Systems for Rural Communities Program, CFDA #10.760, 10.781
Federal Award Number and Year	N/A
Federal Agency	United States Department of Agriculture
Pass-Through Entity	N/A

Finding 2014-008

Noncompliance/Significant Deficiency – Suspension and Debarment

2 CFR part 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://www.sam.gov/portal/SAM/#!/>).

Scioto County Financial Condition
Schedule of Findings and Questioned Costs
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For the Year Ended December 31, 2014

The County entered into contracts with vendors for which determination as to suspension or debarment status had not been made. The County should implement procedures to ensure that suspension and debarment determinations are made, and documented, prior to awarding a contract to be paid for with federal funds.

Responsible Official's Response, Corrective Action Planned, and Planned Implementation Date of Corrective Action:

Client chose not to respond

Person Responsible for Corrective Action:

Sanitary Engineer

Scioto County Financial Condition
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-1	Material Weakness – Internal Controls & Financial Monitoring – STAR Inc.	No	Partially Corrected – Reissued in Management Letter
Finding 2013-2	Noncompliance/Material Weakness - Reporting - Economic Adjustment Assistance, CFDA #11.307	No	Reissued as Finding 2014-002
Finding 2013-3	Noncompliance Citation/Material Weakness/Questioned Costs – Activities Allowed or Unallowed/Allowable Costs/Cost Principles/Special Tests and Provisions – Economic Adjustment Assistance, CFDA #11.307	Yes	
Finding 2013-4	Noncompliance Citation/Material Weakness – Subrecipient Monitoring – Economic Adjustment Assistance, CFDA #11.307	No	Reissued as Finding 2014-004
Finding 2013-5	Noncompliance Citation/Material Weakness – Program Income/Special Tests and Provisions – Economic Adjustment Assistance, CFDA #11.307	No	Reissued as Finding 2014-003
Finding 2013-6	Noncompliance Citation/Material Weakness – Cash Management – Community Development Block Grants/State’s Program, CFDA #14.228	No	Reissued as Finding 2014-005
Finding 2013-7	Noncompliance Citation/Material Weakness – Davis Bacon – Community Development Block Grants/State’s Program, CFDA #14.228	No	Reissued as Finding 2014-006

Scioto County Financial Condition
Schedule of Prior Audit Findings
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Finding 2013-8	Noncompliance Citation/Material Weakness – Reporting – Community Development Block Grants/State’s Program, CFDA #14.228	Yes	
Finding 2013-9	Noncompliance/Material Weakness – Davis Bacon – Water and Waste Disposal Systems for Rural Communities Program, CFDA #10.760	Yes	

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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
OCTOBER 20, 2015