



**Auditor of State
Betty Montgomery**

SCIOTO COUNTY
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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

December 22, 2005

SCIOTO COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Scioto County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

The County's total net assets increased \$1,017,080 during 2004. Net assets of governmental activities increased \$749,771 (approximately two percent), mainly due to increases in operating grants and contributions and sales tax revenues along with the County monitoring its expenses.

Net assets of business-type activities increased by \$267,309 (approximately four percent), partly due to the receipt of federal and state grant monies to be used for capital improvements.

Business-type operations reflected operating income, since charges for services kept up with expenses, while business-type unrestricted net assets totaled \$1,364,397.

Capital assets, net of depreciation, used in governmental activities increased \$3,147,425. This was mainly due to \$2,278,523 in construction in progress additions related to the new jail and \$1,080,436 in additions of current year infrastructure assets.

USING THIS ANNUAL FINANCIAL REPORT

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

REPORTING THE COUNTY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Scioto County's major funds are the General, Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, Children Services, Jail Construction, and Sewer Funds.

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

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

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THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2004 compared to 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	Restated 2003	2004	Restated 2003
Assets						
Current and						
Other Assets	\$27,369,949	\$23,356,705	\$1,751,122	\$1,749,152	\$29,121,071	\$25,105,857
Investment in						
Joint Venture	36,719	28,041	0	0	36,719	28,041
Capital Assets,						
Net of Depreciation	38,439,173	35,291,748	13,571,363	13,447,005	52,010,536	48,738,753
Total Assets	<u>65,845,841</u>	<u>58,676,494</u>	<u>15,322,485</u>	<u>15,196,157</u>	<u>81,168,326</u>	<u>73,872,651</u>
Liabilities						
Long-Term Liabilities						
Due within						
One Year	2,098,744	1,782,117	290,014	254,585	2,388,758	2,036,702
Due in More						
Than One Year	14,996,334	9,532,448	7,500,136	7,588,677	22,496,470	17,121,125
Current and Other						
Liabilities	7,297,314	6,658,251	229,623	317,492	7,526,937	6,975,743
Total Liabilities	<u>24,392,392</u>	<u>17,972,816</u>	<u>8,019,773</u>	<u>8,160,754</u>	<u>32,412,165</u>	<u>26,133,570</u>
Net Assets						
Invested in						
Capital Assets,						
Net of Related Debt	30,427,961	28,879,758	5,788,339	5,596,744	36,216,300	34,476,502
Restricted for:						
Debt Service	147,013	419,576	0	0	147,013	419,576
Other Purposes	11,613,311	11,702,250	0	0	11,613,311	11,702,250
Capital Outlay	0	34,058	0	0	0	34,058
Replacement and						
Improvements	0	0	40,000	40,000	40,000	40,000
Future Debt Service	266,339	0	109,976	104,398	376,315	104,398
Unrestricted (Deficit)	<u>(1,001,175)</u>	<u>(331,964)</u>	<u>1,364,397</u>	<u>1,294,261</u>	<u>363,222</u>	<u>962,297</u>
Total Net Assets	<u>\$41,453,449</u>	<u>\$40,703,678</u>	<u>\$7,302,712</u>	<u>\$7,035,403</u>	<u>\$48,756,161</u>	<u>\$47,739,081</u>

Cash and Cash Equivalents for the year increased mainly due to bond proceeds received during the year for the jail construction project that had not been spent at year-end.

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Current assets of the County's Governmental Activities increased by \$4,013,244 which was largely due to an increase in Due from Other Governments in the Public Assistance Fund and the Motor Vehicle Gas Tax Fund. This was due to the receipt of additional State funds after year-end. Total liabilities increased by \$6,419,576 mainly due to an increase in debt.

Invested in capital assets, net of related debt, for Governmental Activities increased mainly due to the additions to construction in progress related to the new jail and the addition of current year infrastructure assets. Total Net assets increased by \$749,771 mainly due to increases in operating grants and contributions and sales tax revenues along with the County monitoring its expenses.

The net assets of the County's business-type activities increased by \$267,309. This increase was due to the receipt of federal and state grant monies which are being used for current construction in progress. The County strives to control operating expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the years ended December 31, 2003 and 2004.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	Restated 2003	2004	Restated 2003
Revenues						
Program Revenues:						
Charges for Services and Sales	\$6,131,710	\$5,954,257	\$2,070,422	\$2,079,013	\$8,202,132	\$8,033,270
Operating Grants, Contributions, and Interest	28,185,705	26,248,397	0	0	28,185,705	26,248,397
Capital Grants and Contributions	464,374	929,362	355,367	1,558,828	819,741	2,488,190
Total Program Revenues	34,781,789	33,132,016	2,425,789	3,637,841	37,207,578	36,769,857
General Revenues:						
Property and Other Local Taxes	4,532,500	4,196,320	0	0	4,532,500	4,196,320
Sales Tax	8,394,244	8,250,582	0	0	8,394,244	8,250,582
Revenue in Lieu of Taxes	57,180	0	0	0	57,180	0
Grants and Entitlements not Restricted to Specific Programs	1,771,133	1,372,006	0	0	1,771,133	1,372,006
Rent	314,820	323,921	0	0	314,820	323,921
Unrestricted Investment						
Earnings	194,033	165,624	628	5,176	194,661	170,800
Miscellaneous	650,946	935,347	125,232	0	776,178	935,347
Transfers	(43,729)	0	43,729	0	0	0
Total General Revenues	15,871,127	15,243,800	169,589	5,176	16,040,716	15,248,976
Total Revenues	\$50,652,916	\$48,375,816	\$2,595,378	\$3,643,017	\$53,248,294	\$52,018,833

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Management's Discussion and Analysis
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Table 2
Changes in Net Assets

	Governmental Activities			Business-Type Activities		Total	
	2004	Restated 2003	2003	2004	Restated 2003	2004	Restated 2003
Program Expenses							
General Government:							
Legislative and Executive	6,577,746	6,597,251		0	0	6,577,746	6,597,251
Judicial	2,245,009	2,600,466		0	0	2,245,009	2,600,466
Public Safety:							
Sheriff	4,156,537	3,700,186		0	0	4,156,537	3,700,186
Other	3,391,705	4,100,457		0	0	3,391,705	4,100,457
Public Works	3,779,665	4,052,122		0	0	3,779,665	4,052,122
Health	8,834,042	7,773,521		0	0	8,834,042	7,773,521
Human Services	17,779,187	18,639,921		0	0	17,779,187	18,639,921
Conservation and Recreation	574,564	395,659		0	0	574,564	395,659
Economic Development and Assistance	985,205	1,032,282		0	0	985,205	1,032,282
Transportation	934,492	757,139		0	0	934,492	757,139
Interest and Fiscal Charges	644,993	543,921		0	0	644,993	543,921
Sewer	0	0		2,328,069	2,426,813	2,328,069	2,426,813
Total Expenses	49,903,145	50,192,925		2,328,069	2,426,813	52,231,214	52,619,738
Increase (Decrease) in Net Assets	\$749,771	(\$1,817,109)		\$267,309	\$1,216,204	\$1,017,080	(\$600,905)

Governmental Activities

Operating grants, contributions, and interest restricted to specific programs is the largest source of revenue for Scioto County. This makes up approximately 56% of total governmental revenues for 2004. The major recipients of operating grants and contributions were the Public Assistance, Motor Vehicle Gas Tax, Board of Mental Retardation and Developmental Disabilities, and Children Services Programs.

Sales tax collected by the County comprised approximately 17% of total governmental revenues for 2004. Proceeds of the permissive sales tax are credited to the General Fund.

The County's direct charges to users of governmental services made up around 12% of total governmental revenues for 2004. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services (including public assistance and children services) programs accounted for approximately 36% of total expenses for governmental activities. Health programs (including MRDD) makes up approximately 18% of total expenses. Other major program expenses for governmental activities include public safety programs (mainly the sheriff and emergency management departments) which, in total, accounted for approximately 15% of total expenses.

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

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Business-Type Activities

The net assets for business-type activities increased by \$267,309 during 2004. Charges for services were the largest revenue source, accounting for approximately 80% of total business-type activities revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for both governmental and business-type activities. That is, it identifies the net cost of these services that must be supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities and Business-Type Activities

	Total Cost of Services 2004	Total Cost of Services Restated 2003	Net Cost of Services 2004	Net Cost of Services Restated 2003
General Government:				
Legislative and Executive	\$6,577,746	\$6,597,251	(\$4,678,635)	(\$4,771,953)
Judicial	2,245,009	2,600,466	(1,303,054)	(1,453,699)
Public Safety:				
Sheriff	4,156,537	3,700,186	(2,942,587)	(2,522,774)
Other	3,391,705	4,100,457	(942,178)	(1,818,634)
Public Works	3,779,665	4,052,122	696,416	(149,266)
Health	8,834,042	7,773,521	(3,322,775)	(3,339,647)
Human Services	17,779,187	18,639,921	(1,664,898)	(2,371,435)
Conservation and Recreation	574,564	395,659	(533,082)	(265,888)
Economic Development and Assistance	985,205	1,032,282	(191,423)	(668,020)
Transportation	934,492	757,139	405,853	868,357
Interest and Fiscal Charges	644,993	543,921	(644,993)	(543,921)
Sewer	2,328,069	2,426,813	97,720	611,028
Total Expenses	<u>\$52,231,214</u>	<u>\$52,619,738</u>	<u>(\$15,023,636)</u>	<u>(\$16,425,852)</u>

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

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 36. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$50,065,133 and expenditures of \$53,903,019.

The General Fund balance decreased by \$420,607. This decrease was due primarily to the repayment of outstanding bond anticipation notes and a reduction in the amount of bond anticipation note proceeds received into the General Fund.

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The Public Assistance Fund balance decreased \$373,967. This decrease was mainly due to the offering of additional public assistance programs and routine improvements to the human services facility.

The Motor Vehicle Gas Tax Fund balance increased \$211,456. This increase was not considered significant.

The Board of Mental Retardation and Developmental Disabilities Fund balance increased \$187,741. This increase was not considered significant.

The Children Services Fund balance decreased \$381,146 mainly due to salary and benefit increases with no significant increase in funding.

The Jail Construction Fund increased by \$3,637,709 mainly due to the receipt of bond proceeds.

The Sewer Fund reflects operating income of \$105,445 for 2004. Charges for services for sewer utilities have historically been established to ensure that, on a cash basis, fees are adequate to cover operations. The County Commissioners have set fees with the intention of funding operating costs and debt service.

General Fund Budgeting Highlights

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

During 2004, there were numerous revisions to the General Fund's original budget. The effect of the revisions included an increase in budgeted revenues of \$271,855 and an increase in appropriations of \$193,806.

Original General Fund budgeted revenues were \$13,342,891. The final budgeted amount was \$13,614,746. The majority of the increase was due to an increase in charges for services estimated revenue. Total budgeted expenditures increased \$193,806 from \$12,667,533 to \$12,861,339. The increase was not considered significant.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Land	\$1,838,266	\$1,832,506	\$0	\$0
Construction in Progress	2,706,789	428,266	143,897	2,144,915
Land Improvements	8,573	10,203	0	0
Buildings and Building Improvements	28,583,700	28,953,348	5,153,629	5,289,425
Furniture, Fixtures, and Equipment	954,694	846,658	65,064	125,483
Vehicles	1,365,017	1,319,069	18,610	25,680
Infrastructure	2,982,134	1,901,698	8,190,163	5,861,502
Totals	\$38,439,173	\$35,291,748	\$13,571,363	\$13,447,005

The increase in infrastructure in the governmental activities was the result of the County adding \$1,080,436 in roads, bridges, and other infrastructure assets during 2004. The increase in construction in progress is primarily due to the construction on the County's new jail. See Note 11 of the notes to the basic financial statements for more detailed capital asset information.

Debt

At December 31, 2004, Scioto County had \$22,711,981 in debt outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
General Obligation Bonds	\$13,663,916	\$7,938,903	\$4,019,289	\$2,954,475
Mortgage Revenue Bonds Payable	0	0	195,000	220,000
FHA Bonds Payable	0	0	3,199,094	3,243,186
Loans Payable	60,201	66,550	300,104	150,175
Bond Anticipation Notes Payable - Long-Term	952,000	1,007,000	0	1,200,000
Capital Leases	322,377	349,537	0	0
Totals	\$14,998,494	\$9,361,990	\$7,713,487	\$7,767,836

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

The loan payable will be paid from the Mental Retardation and Developmental Disabilities Special Revenue Fund. The Human Services Building Acquisition Bond Anticipation Note of \$230,000 will be paid from the Bond Retirement Debt Service Fund with monies received within the Public Assistance Fund. The Commercial Property Acquisition Bond Anticipation Note in the amount of \$317,000 will be paid from the Bond Retirement Debt Service Fund with general revenues of the County. The Airport Hanger Bond Anticipation Note of \$155,000 will be repaid by the Scioto County Airport Authority. The County Jail Bond Anticipation Note of \$250,000 will be repaid from general revenues of the County.

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

The County's overall legal debt margin was \$16,748,990 as of December 31, 2004. The more restrictive unvoted legal debt margin was \$5,794,895 as of the same date. See Note 17 of the notes to the basic financial statements for more detailed information.

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

CURRENT ISSUES

In the coming year, Scioto County is expecting several new commercial developments to move forward. Specifically, the Sun Coke Company will begin construction on the second phase in Franklin Furnace which will include 100 additional coke ovens plus a 100 megawatt electrical generation power plant utilizing excess steam from the coke process. This new development will be approximately a 275 million dollar investment and will provide 46 new industrial jobs.

USEC, located in Pike County, a major employer of Scioto County residents, continues to move forward with the development of the centrifuge uranium enrichment plant and the Department of Energy is continuing cleanup activities, which also provides employment for Scioto County residents.

The planned Wal-Mart Super Center in New Boston, which will replace the existing Wal-Mart Store, is on schedule to begin construction in November of 2005, and open to the public in mid 2006. The new store will increase employment by 60 to 85 employees.

The new Scioto County Justice Center is scheduled to be completed and will be operational by the second quarter of 2006. This facility will provide 192 beds for incarcerated offenders and will require an increase of 18 employees to staff the facility. This new facility presents a challenge to the County because of increased employment and maintenance costs of the new facility. The County plans to offset expenses by renting approximately 25% of the beds to neighboring counties.

The Commissioners are continuing to closely monitor revenue sources and expenditure levels with an emphasis on continuation of essential services for the County.

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Unaudited

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

SCIOTO COUNTY, OHIO
Statement of Net Assets
December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	STAR Inc.	Scioto County Airport Authority
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$11,301,428	\$423,493	\$11,724,921	\$0	\$0
Cash and Cash Equivalents in Segregated Accounts	66,080	57,748	123,828	195,865	90,246
Accrued Interest Receivable	125	0	125	0	0
Materials and Supplies Inventory	338,471	5,293	343,764	5,155	0
Accounts Receivable	88,151	412,893	501,044	23,743	2,166
Prepaid Items	110,422	9,373	119,795	0	891
Internal Balances	(21,767)	21,767	0	0	0
Cash and Cash Equivalents With Trustee	266,339	149,976	416,315	0	0
Sales Taxes Receivable	1,437,562	0	1,437,562	0	0
Taxes Receivable	4,521,230	0	4,521,230	0	0
Revenue in Lieu of Taxes Receivable	33,844	0	33,844	0	0
Due From Other Governments	7,928,575	600,000	8,528,575	0	214,590
Loans Receivable	1,123,126	0	1,123,126	0	0
Deferred Charges	176,363	70,579	246,942	0	0
Investment in Joint Venture	36,719	0	36,719	0	0
Capital Assets:					
Land and Construction in Progress	4,545,055	143,897	4,688,952	0	0
Depreciable Capital Assets, Net	33,894,118	13,427,466	47,321,584	50,097	0
Total Assets	65,845,841	15,322,485	81,168,326	274,860	307,893
<u>Liabilities:</u>					
Accounts Payable	389,841	29,615	419,456	2,759	2,836
Contracts Payable	727,721	7,648	735,369	0	61,656
Accrued Wages and Benefits Payable	766,212	22,375	788,587	10,514	0
Due To Other Governments	902,957	49,718	952,675	0	0
Accrued Interest Payable	62,873	120,267	183,140	0	0
Matured Compensated Absences Payable	2,799	0	2,799	0	0
Retainage Payable	166,485	0	166,485	0	16,182
Deferred Revenue	4,278,426	0	4,278,426	0	0
Long-Term Liabilities:					
Due Within One Year	2,098,744	290,014	2,388,758	13,128	6,567
Due in More Than One Year	14,996,334	7,500,136	22,496,470	11,039	186,198
Total Liabilities	24,392,392	8,019,773	32,412,165	37,440	273,439
<u>Net Assets:</u>					
Invested in Capital Assets, Net of Related Debt	30,427,961	5,788,339	36,216,300	29,373	0
Restricted for:					
Debt Service	147,013	0	147,013	0	0
Public Safety	2,004,966	0	2,004,966	0	0
Human Services	2,758,383	0	2,758,383	0	0
Public Works	3,057,165	0	3,057,165	0	0
Community and Economic Development	2,040,428	0	2,040,428	0	0
Other Purposes	1,752,369	0	1,752,369	0	0
Replacement and Improvements	0	40,000	40,000	0	0
Future Debt Service	266,339	109,976	376,315	0	0
Unrestricted (Deficit)	(1,001,175)	1,364,397	363,222	208,047	34,454
Total Net Assets	\$41,453,449	\$7,302,712	\$48,756,161	\$237,420	\$34,454

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General Government:				
Legislative and Executive	\$6,577,746	\$1,820,680	\$78,431	\$0
Judicial	2,245,009	936,876	5,079	0
Public Safety:				
Sheriff	4,156,537	1,186,535	27,415	0
Other	3,391,705	992,394	1,457,133	0
Public Works	3,779,665	50,697	4,425,384	0
Health	8,834,042	442,598	5,068,669	0
Human Services	17,779,187	239,020	15,875,269	0
Conservation and Recreation	574,564	4,820	36,662	0
Economic Development and Assistance	985,205	6,000	787,782	0
Transportation	934,492	452,090	423,881	464,374
Interest and Fiscal Charges	644,993	0	0	0
<i>Total Governmental Activities</i>	49,903,145	6,131,710	28,185,705	464,374
<u>Business-Type Activity:</u>				
Sewer	2,328,069	2,070,422	0	355,367
Total Primary Government	\$52,231,214	\$8,202,132	\$28,185,705	\$819,741
<u>Component Units:</u>				
STAR Inc.	\$459,301	\$317,530	\$116,140	\$0
Scioto County Airport Authority	593,306	74,495	0	133,813
<i>Total Component Unit Activities</i>	\$1,052,607	\$392,025	\$116,140	\$133,813

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

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

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activity	Total	STAR Inc.	Scioto County Airport Authority	
(\$4,678,635)	\$0	(\$4,678,635)	\$0		\$0
(1,303,054)	0	(1,303,054)	0		0
(2,942,587)	0	(2,942,587)	0		0
(942,178)	0	(942,178)	0		0
696,416	0	696,416	0		0
(3,322,775)	0	(3,322,775)	0		0
(1,664,898)	0	(1,664,898)	0		0
(533,082)	0	(533,082)	0		0
(191,423)	0	(191,423)	0		0
405,853	0	405,853	0		0
(644,993)	0	(644,993)	0		0
(15,121,356)	0	(15,121,356)	0		0
0	97,720	97,720	0		0
(15,121,356)	97,720	(15,023,636)	0		0
0	0	0	(25,631)		0
0	0	0	0		(384,998)
0	0	0	(25,631)		(384,998)
1,667,758	0	1,667,758	0		0
2,044,984	0	2,044,984	0		0
601,980	0	601,980	0		0
217,778	0	217,778	0		0
8,394,244	0	8,394,244	0		0
57,180	0	57,180	0		0
1,771,133	0	1,771,133	0		0
314,820	0	314,820	0		0
194,033	628	194,661	2,014		54
650,946	125,232	776,178	3,795		201
(43,729)	43,729	0	0		0
15,871,127	169,589	16,040,716	5,809		255
749,771	267,309	1,017,080	(19,822)		(384,743)
40,703,678	7,035,403	47,739,081	257,242		419,197
\$41,453,449	\$7,302,712	\$48,756,161	\$237,420		\$34,454

SCIOTO COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Public Assistance</u>	<u>Motor Vehicle Gas Tax</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$682,494	\$85,557	\$835,470
Cash and Cash Equivalents in			
Segregated Accounts	18,210	5,196	342
Receivables:			
Sales Taxes	1,437,562	0	0
Property and Other Local Taxes	1,666,916	0	0
Accounts	787	0	2,510
Accrued Interest	125	0	0
Interfund	67,432	42,978	0
Revenue in Lieu of Taxes	750	0	0
Due from Other Governments	765,150	1,471,115	2,358,744
Prepaid Items	50,657	16,526	21,093
Materials and Supplies Inventory	96,103	17,133	222,193
Loans Receivable	192,765	0	0
Restricted Assets:			
Cash and Cash Equivalents with Trustee	<u>0</u>	<u>0</u>	<u>0</u>
 <i>Total Assets</i>	 <u><u>\$4,978,951</u></u>	 <u><u>\$1,638,505</u></u>	 <u><u>\$3,440,352</u></u>
 <u>Liabilities:</u>			
Accounts Payable	\$103,883	\$119,571	\$2,614
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	277,988	74,552	134,557
Due to Other Governments	199,167	397,313	50,758
Interfund Payable	12,430	86,295	0
Retainage Payable	0	0	0
Matured Compensated Absences Payable	0	0	0
Deferred Revenue	<u>2,319,598</u>	<u>0</u>	<u>1,686,514</u>
 <i>Total Liabilities</i>	 <u><u>2,913,066</u></u>	 <u><u>677,731</u></u>	 <u><u>1,874,443</u></u>
 <u>Fund Balances:</u>			
Reserved for Encumbrances	158,545	55,939	198,518
Reserved for Unclaimed Monies	153,963	0	0
Reserved for Loans Receivable	0	0	0
Reserved for Future Debt Service	0	0	0
Unreserved, Undesignated Reported in:			
General Fund	1,753,377	0	0
Special Revenue Funds	0	904,835	1,367,391
Debt Service Fund	0	0	0
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>
 <i>Total Fund Balances</i>	 <u><u>2,065,885</u></u>	 <u><u>960,774</u></u>	 <u><u>1,565,909</u></u>
 <i>Total Liabilities and Fund Balances</i>	 <u><u>\$4,978,951</u></u>	 <u><u>\$1,638,505</u></u>	 <u><u>\$3,440,352</u></u>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Jail Construction	Other Governmental Funds	Total Governmental Funds
\$960,464	\$1,226,963	\$4,154,402	\$3,356,078	\$11,301,428
0	96	0	42,236	66,080
0	0	0	0	1,437,562
1,907,245	584,462	0	362,607	4,521,230
40,067	0	0	44,787	88,151
0	0	0	0	125
0	49,019	0	56,146	215,575
25,323	7,021	0	750	33,844
683,186	878,699	0	1,771,681	7,928,575
13,380	8,654	0	112	110,422
0	0	0	3,042	338,471
0	0	0	930,361	1,123,126
0	0	0	266,339	266,339
<u>\$3,629,665</u>	<u>\$2,754,914</u>	<u>\$4,154,402</u>	<u>\$6,834,139</u>	<u>\$27,430,928</u>
\$53,062	\$44,561	\$555	\$65,595	\$389,841
0	0	563,033	164,688	727,721
85,505	72,926	2,883	117,801	766,212
118,009	36,426	1,702	99,582	902,957
0	0	0	138,617	237,342
0	0	80,841	85,644	166,485
2,799	0	0	0	2,799
2,267,118	1,180,206	0	1,336,848	8,790,284
2,526,493	1,334,119	649,014	2,008,775	11,983,641
49,781	20,475	109	336,536	819,903
0	0	0	0	153,963
0	0	0	797,544	797,544
0	0	0	266,339	266,339
0	0	0	0	1,753,377
1,053,391	1,400,320	0	3,151,739	7,877,676
0	0	0	141,895	141,895
0	0	3,505,279	131,311	3,636,590
1,103,172	1,420,795	3,505,388	4,825,364	15,447,287
<u>\$3,629,665</u>	<u>\$2,754,914</u>	<u>\$4,154,402</u>	<u>\$6,834,139</u>	<u>\$27,430,928</u>

SCIOTO COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004

Total Governmental Fund Balances \$15,447,287

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

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

Land	1,838,266	
Construction in progress	2,706,789	
Other depreciable capital assets	47,982,464	
Accumulated depreciation	<u>(14,088,346)</u>	
Total capital assets		38,439,173

The County also has an investment interest in joint venture assets, which is part of the County's overall governmental activities. 36,719

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

Delinquent property taxes	516,300	
Revenue in lieu of taxes	33,844	
Intergovernmental	3,768,824	
Interest	125	
Miscellaneous	<u>192,765</u>	
		4,511,858

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 176,363

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

Bonds payable	(13,663,916)	
Notes payable	(952,000)	
Loans payable	(60,201)	
Accrued interest payable	(62,873)	
Capital leases payable	(322,377)	
Compensated absences	<u>(2,096,584)</u>	
Total liabilities		<u>(17,157,951)</u>

Net Assets of Governmental Activities \$41,453,449

See Accompanying Notes to the Basic Financial Statements

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SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Public Assistance	Motor Vehicle Gas Tax
<u>Revenues:</u>			
Property and Other Local Taxes	\$1,632,749	\$0	\$0
Sales Tax	8,394,244	0	0
Revenue in Lieu of Taxes	0	0	0
Intergovernmental	1,665,337	11,346,320	4,533,236
Charges for Services	1,477,777	0	26,264
Licenses and Permits	6,919	0	0
Fines and Forfeitures	503,408	0	24,433
Interest	177,911	0	10,416
Rent	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	142,317	2,820	61,079
<i>Total Revenues</i>	<u>14,000,662</u>	<u>11,349,140</u>	<u>4,655,428</u>
<u>Expenditures:</u>			
Current:			
General Government:			
Legislative and Executive	6,052,796	0	0
Judicial	1,751,134	0	0
Public Safety:			
Sheriff	2,980,718	0	0
Other	403,999	0	0
Public Works	133,115	0	4,726,395
Health	246,412	0	0
Human Services	343,866	12,168,851	0
Conservation and Recreation	301,618	0	0
Economic Development and Assistance	101,045	0	0
Transportation	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	227,798	4,289	0
Interest and Fiscal Charges	23,805	469	0
Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>12,566,306</u>	<u>12,173,609</u>	<u>4,726,395</u>
Excess of Revenues Over (Under) Expenditures	<u>1,434,356</u>	<u>(824,469)</u>	<u>(70,967)</u>
<u>Other Financing Sources (Uses):</u>			
General Obligation Bonds Issued	0	0	0
General Obligation Notes Issued	472,000	0	0
Proceeds From Sale of Capital Assets	0	0	17,423
General Obligation Refunding Bonds Issued	0	0	0
Premium on Debt Issuance	0	0	0
Inception of Capital Lease	230,464	0	0
Transfers In	90,302	450,502	265,000
Payment to Refunded Bonds Escrow Agent	0	0	0
Payment of Long-Term Notes	(517,000)	0	0
Transfers Out	(2,130,729)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,854,963)</u>	<u>450,502</u>	<u>282,423</u>
<i>Net Change in Fund Balances</i>	(420,607)	(373,967)	211,456
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,486,492</u>	<u>1,334,741</u>	<u>1,354,453</u>
<i>Fund Balances End of Year</i>	<u>\$2,065,885</u>	<u>\$960,774</u>	<u>\$1,565,909</u>

See Accompanying Notes to the Basic Financial Statements

Board of Mental Retardation and Developmental Disabilities	Children Services	Jail Construction	Other Governmental Funds	Total Governmental Funds
\$2,020,530	\$594,607	\$0	\$212,909	\$4,460,795
0	0	0	0	8,394,244
18,343	4,907	0	86	23,336
5,746,140	2,863,884	0	3,874,570	30,029,487
404,924	49,019	0	3,336,480	5,294,464
0	0	0	23,818	30,737
0	0	0	278,668	806,509
915	0	2,776	1,890	193,908
0	0	0	314,820	314,820
29,569	23,529	0	5,554	58,652
44,851	10,285	0	196,829	458,181
<u>8,265,272</u>	<u>3,546,231</u>	<u>2,776</u>	<u>8,245,624</u>	<u>50,065,133</u>
0	0	4,992	537,380	6,595,168
0	0	0	458,094	2,209,228
0	0	0	998,040	3,978,758
0	0	0	2,773,782	3,177,781
0	0	0	0	4,859,510
8,054,210	0	0	292,780	8,593,402
0	3,932,377	0	1,219,567	17,664,661
0	0	0	54,978	356,596
0	0	0	871,778	972,823
0	0	0	857,410	857,410
0	0	2,349,330	676,405	3,025,735
20,079	0	0	527,808	779,974
3,242	0	0	621,384	648,900
0	0	150,997	32,076	183,073
<u>8,077,531</u>	<u>3,932,377</u>	<u>2,505,319</u>	<u>9,921,482</u>	<u>53,903,019</u>
<u>187,741</u>	<u>(386,146)</u>	<u>(2,502,543)</u>	<u>(1,675,858)</u>	<u>(3,837,886)</u>
0	0	6,135,000	0	6,135,000
0	0	250,000	230,000	952,000
0	0	0	0	17,423
0	0	0	2,050,000	2,050,000
0	0	5,252	0	5,252
0	0	0	58,266	288,730
0	5,000	0	1,434,077	2,244,881
0	0	0	(2,008,155)	(2,008,155)
0	0	(250,000)	(240,000)	(1,007,000)
0	0	0	(157,881)	(2,288,610)
<u>0</u>	<u>5,000</u>	<u>6,140,252</u>	<u>1,366,307</u>	<u>6,389,521</u>
187,741	(381,146)	3,637,709	(309,551)	2,551,635
<u>915,431</u>	<u>1,801,941</u>	<u>(132,321)</u>	<u>5,134,915</u>	<u>12,895,652</u>
<u>\$1,103,172</u>	<u>\$1,420,795</u>	<u>\$3,505,388</u>	<u>\$4,825,364</u>	<u>\$15,447,287</u>

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, 2004

Net Change in Fund Balances - Total Governmental Funds \$2,551,635

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

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

Capital asset additions	2,075,624	
Construction in progress additions	2,439,227	
Depreciation expense	(1,316,704)	
Excess of capital outlay over depreciation expense		3,198,147

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

Proceeds from the sale of capital assets	(17,423)	
Loss on Early Retirement of Capital Lease	(8,619)	
Loss on disposal of capital assets	(21,277)	
		(47,319)

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

Delinquent property taxes	71,705	
Revenue in lieu of taxes	33,844	
Intergovernmental	333,073	
Interest	125	
Miscellaneous	192,765	
		631,512

Increase in the County's equity portion of the joint venture. 8,678

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

Proceeds of bonds	(8,185,000)	
Premium on bonds	(5,118)	
Proceeds of bond anticipation notes	(952,000)	
		(9,142,118)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (288,730)

Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities. 176,363

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

Loan principal retirement	6,349	
Bond payments	2,421,138	
Unamortized Loss on Refunding	43,967	
Bond anticipation notes payment	1,007,000	
Capital lease payments	312,487	
Total long-term debt repayment		3,790,941

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	(144,009)	
Decrease in accrued interest	14,671	
Total (increase)/decrease		(129,338)

Change in Net Assets of Governmental Activities \$749,771

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$1,460,000	\$1,457,248	\$1,572,449	\$115,201
Sales Tax	9,175,827	8,350,000	8,242,463	(107,537)
Intergovernmental	1,594,233	1,450,752	1,513,629	62,877
Charges for Services	143,261	1,474,437	1,465,943	(8,494)
Licenses and Permits	8,681	7,900	6,919	(981)
Fines and Forfeitures	564,557	513,747	489,079	(24,668)
Interest	220,600	200,746	173,131	(27,615)
Rent	2,198	2,000	0	(2,000)
Miscellaneous	173,534	157,916	287,120	129,204
Total Revenues	13,342,891	13,614,746	13,750,733	135,987
<u>Expenditures:</u>				
Current:				
General Government				
Legislative and Executive	3,865,864	6,477,814	6,402,142	75,672
Judicial	1,733,399	1,784,284	1,743,078	41,206
Public Safety				
Sheriff	2,736,184	3,051,621	3,018,488	33,133
Other	386,896	423,921	420,146	3,775
Public Works	470,400	127,443	127,257	186
Health	284,001	258,596	248,088	10,508
Human Services	782,149	359,070	355,358	3,712
Conservation and Recreation	152,759	202,888	202,100	788
Economic Development and Assistance	102,679	104,146	98,480	5,666
Miscellaneous	2,080,311	0	0	0
Debt Service:				
Principal Retirement	46,138	51,138	6,138	45,000
Interest and Fiscal Charges	26,753	20,418	11,438	8,980
Total Expenditures	12,667,533	12,861,339	12,632,713	228,626
Excess of Revenues Over (Under) Expenditures	675,358	753,407	1,118,020	364,613
<u>Other Financing Sources (Uses):</u>				
Note Proceeds	0	0	472,000	472,000
Advances In	0	0	387,064	387,064
Advances Out	0	0	(286,422)	(286,422)
Transfers In	250,000	301,402	90,302	(211,100)
Payment of Long-Term Notes	0	0	(517,000)	(517,000)
Transfers Out	(1,925,358)	(2,233,168)	(2,201,354)	31,814
Total Other Financing Sources (Uses)	(1,675,358)	(1,931,766)	(2,055,410)	(123,644)
Net Changes in Fund Balance	(1,000,000)	(1,178,359)	(937,390)	240,969
Fund Balances at Beginning of Year - Restated (See Note 3)	977,598	977,598	977,598	0
Prior Year Encumbrances Appropriated	345,619	345,619	345,619	0
Fund Balances at End of Year	\$323,217	\$144,858	\$385,827	\$240,969

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Public Assistance Special Revenue Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Intergovernmental	\$13,539,514	\$11,031,088	\$10,305,477	(\$725,611)
Miscellaneous	0	0	2,820	2,820
<i>Total Revenues</i>	13,539,514	11,031,088	10,308,297	(722,791)
<u>Expenditures:</u>				
Current:				
Human Services	13,458,778	12,221,504	12,215,665	5,839
Excess of Revenues Over (Under) Expenditures	80,736	(1,190,416)	(1,907,368)	(716,952)
<u>Other Financing Sources:</u>				
Transfers In	517,686	439,514	450,502	10,988
Net Changes in Fund Balance	598,422	(750,902)	(1,456,866)	(705,964)
Fund Balances at Beginning of Year	1,133,969	1,133,969	1,133,969	0
Prior Year Encumbrances Appropriated	328,736	328,736	328,736	0
Fund Balances at End of Year	<u>\$2,061,127</u>	<u>\$711,803</u>	<u>\$5,839</u>	<u>(\$705,964)</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Motor Vehicle Gas Tax Special Revenue Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Intergovernmental	\$3,684,464	\$3,700,000	\$4,122,953	\$422,953
Charges for Services	60,253	60,507	31,611	(28,896)
Fines and Forfeitures	39,832	40,000	26,385	(13,615)
Interest	9,958	10,000	9,191	(809)
Miscellaneous	4,272	19,873	61,079	41,206
<i>Total Revenues</i>	3,798,779	3,830,380	4,251,219	420,839
<u>Expenditures:</u>				
Current:				
Public Works	4,899,450	5,194,426	5,021,548	172,878
Excess of Revenues Over (Under) Expenditures	(1,100,671)	(1,364,046)	(770,329)	593,717
<u>Other Financing Sources:</u>				
Proceeds from Sale of Capital Assets	32,867	17,423	17,423	0
Transfers In	234,352	235,340	265,000	29,660
<i>Total Other Financing Sources</i>	267,219	252,763	282,423	29,660
Net Changes in Fund Balance	(833,452)	(1,111,283)	(487,906)	623,377
Fund Balances at Beginning of Year	836,346	836,346	836,346	0
Prior Year Encumbrances Appropriated	284,974	284,974	284,974	0
Fund Balances at End of Year	<u>\$287,868</u>	<u>\$10,037</u>	<u>\$633,414</u>	<u>\$623,377</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Board of Mental Retardation and Developmental Disabilities Special Revenue Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property and Other Local Taxes	\$2,212,000	\$1,838,499	\$1,969,722	\$131,223
Revenue in Lieu of Taxes	18,519	18,343	18,343	0
Intergovernmental	5,761,920	5,707,020	5,495,359	(211,661)
Charges for Services	173,655	172,000	382,529	210,529
Interest	1,010	1,000	772	(228)
Contributions and Donations	18,240	18,067	17,711	(356)
Miscellaneous	57,008	56,465	14,835	(41,630)
<i>Total Revenues</i>	<u>8,242,352</u>	<u>7,811,394</u>	<u>7,899,271</u>	<u>87,877</u>
<u>Expenditures:</u>				
Current:				
Health	8,765,102	8,492,070	8,172,932	319,138
Debt Service:				
Principal Retirement	0	6,349	6,349	0
Interest and Fiscal Charges	0	1,483	1,483	0
<i>Total Expenditures</i>	<u>8,765,102</u>	<u>8,499,902</u>	<u>8,180,764</u>	<u>319,138</u>
Net Changes in Fund Balance	(522,750)	(688,508)	(281,493)	407,015
Fund Balances at Beginning of Year	962,329	962,329	962,329	0
Prior Year Encumbrances Appropriated	<u>69,010</u>	<u>69,010</u>	<u>69,010</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$508,589</u></u>	<u><u>\$342,831</u></u>	<u><u>\$749,846</u></u>	<u><u>\$407,015</u></u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
Children Services Special Revenue Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<u>Revenues:</u>				
Property and Other Local Taxes	\$610,000	\$528,957	\$578,438	\$49,481
Revenue in Lieu of Taxes	4,710	4,907	4,907	0
Intergovernmental	1,918,028	1,998,272	2,851,342	853,070
Contributions and Donations	4,799	5,000	23,529	18,529
Miscellaneous	9,598	10,000	10,323	323
Total Revenues	2,547,135	2,547,136	3,468,539	921,403
<u>Expenditures:</u>				
Current:				
Human Services	3,506,590	3,968,710	3,950,617	18,093
Excess of Revenues Over (Under) Expenditures	(959,455)	(1,421,574)	(482,078)	939,496
<u>Other Financing Sources:</u>				
Transfers In	0	0	5,000	5,000
Net Changes in Fund Balance	(959,455)	(1,421,574)	(477,078)	944,496
Fund Balances at Beginning of Year	1,587,538	1,587,538	1,587,538	0
Prior Year Encumbrances Appropriated	54,984	54,984	54,984	0
Fund Balances at End of Year	<u>\$683,067</u>	<u>\$220,948</u>	<u>\$1,165,444</u>	<u>\$944,496</u>

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fund Net Assets
Enterprise Fund
December 31, 2004

	<i>Sewer</i>
<u>Assets:</u>	
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$423,493
Cash and Cash Equivalents in Segregated Accounts	57,748
Materials and Supplies Inventory	5,293
Accounts Receivable	412,893
Due From Other Governments	600,000
Prepaid Items	9,373
Interfund Receivable	21,767
<i>Total Current Assets</i>	1,530,567
<u>Non-Current Assets:</u>	
Restricted Assets:	
Cash and Cash Equivalents with Trustee	149,976
Deferred Charges	70,579
Capital Assets:	
Land and Construction in Progress	143,897
Depreciable Capital Assets, Net	13,427,466
<i>Total Non-Current Assets</i>	13,791,918
<i>Total Assets</i>	15,322,485
<u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	29,615
Contracts Payable	7,648
Accrued Wages and Benefits Payable	22,375
Due To Other Governments	49,718
Accrued Interest Payable	118,539
General Obligation Bonds Payable	152,477
Current Liabilities Payable from Restricted Assets:	
Mortgage Revenue Bonds Payable	30,000
Accrued Interest Payable	1,728
Farmer's Home Administration Bonds Payable	46,184
Ohio Public Works Commission Loans Payable	16,224
Compensated Absences Payable	45,129
<i>Total Current Liabilities</i>	519,637
<u>Long-Term Liabilities (Net of Current Portion):</u>	
General Obligation Bonds Payable	3,866,812
Long-Term Liabilities Payable from Restricted Assets:	
Mortgage Revenue Bonds Payable	165,000
Farmer's Home Administration Bonds Payable	3,152,910
Ohio Public Works Commission Loans Payable	283,880
Compensated Absences Payable	31,534
<i>Total Long-Term Liabilities</i>	7,500,136
<i>Total Liabilities</i>	8,019,773
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	5,788,339
Restricted for:	
Replacement and Improvements	40,000
Future Debt Service	109,976
Unrestricted	1,364,397
<i>Total Net Assets</i>	\$7,302,712

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenses
And Changes in Fund Net Assets
Enterprise Fund
For the Year Ended December 31, 2004

	<i>Sewer</i>
<u>Operating Revenues:</u>	
Charges for Services	\$2,070,422
<u>Operating Expenses:</u>	
Personal Services	675,890
Fringe Benefits	136,912
Contractual Services	610,964
Materials and Supplies	142,747
Depreciation	387,821
Other	10,643
<i>Total Operating Expenses</i>	1,964,977
Operating Income	105,445
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	628
Interest and Fiscal Charges	(363,092)
Capital Grants	355,367
Other Non-Operating Revenues	125,232
<i>Total Non-Operating Revenues (Expenses)</i>	118,135
Income Before Transfers	223,580
Transfers In	43,729
<i>Net Income</i>	267,309
<i>Net Assets At Beginning of Year - Restated (Note 3)</i>	7,035,403
<i>Net Assets At End of Year</i>	\$7,302,712

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Cash Flows
Enterprise Fund
For the Year Ended December 31, 2004

	<i>Sewer</i>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Charges for Services	\$2,094,311
Other Non - Operating Revenues	103,465
Cash Payments to Suppliers for Goods and Services	(721,601)
Cash Payments to Employees for Services	(675,590)
Cash Payments for Employee Benefits	(124,204)
Cash Payments for Other Operating Expenses	(10,643)
	665,738
<u>Net Cash Provided by Operating Activities</u>	
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers from Other Funds	43,729
	43,729
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds of Bonds	1,200,000
Proceeds of Loan	162,100
Capital Grants Received	418,138
Aquisition of Capital Assets	(630,797)
Principal paid on Bonds, Notes and Loans	(1,427,766)
Interest paid on Bonds, Notes and Loans	(362,669)
	(640,994)
<u>Net Cash Used for Capital and Related Financing Activities</u>	
<u>Cash Flows from Investing Activities:</u>	
Interest Income	150
	150
<u>Net Increase in Cash and Cash Equivalents</u>	
	68,623
<u>Cash and Cash Equivalents at Beginning of Year</u>	
	562,594
<u>Cash and Cash Equivalents at End of Year</u>	
	\$631,217
 <u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided by Operating Activities:</u>	
Operating Income	\$105,445
 <u>Adjustments to Reconcile Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Depreciation	387,821
Other Non-Operating Revenues	103,465
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	23,889
Increase in Prepaid Items	(320)
Increase in Materials and Supplies Inventory	(3,349)
Increase in Accounts Payable	1,703
Increase in Compensated Absences Payable	1,237
Increase in Intergovernmental Payable	28,917
Increase in Accrued Wages Payable	16,930
	560,293
Total Adjustments	560,293
<u>Net Cash Provided by Operating Activities</u>	
	\$665,738

See Accompanying Notes to the Basic Financial Statements

SCIOTO COUNTY, OHIO
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets:

Equity in Pooled Cash and Cash Equivalents	\$4,491,003
Cash and Cash Equivalents in Segregated Accounts	284,243
Receivables:	
Property and Other Local Taxes	31,641,218
Accounts	626,875
Revenue in Lieu of Taxes	317,195
Due from Other Governments	<u>3,449,684</u>
<i>Total Assets</i>	<u><u>\$40,810,218</u></u>

Liabilities:

Due to Other Governments	\$36,063,078
Undistributed Monies	<u>4,747,140</u>
<i>Total Liabilities</i>	<u><u>\$40,810,218</u></u>

See Accompanying Notes to the Basic Financial Statements

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NOTE 1 – DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

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

REPORTING ENTITY

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

STAR, Inc.

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

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

The Scioto County Board of MR/DD provides the workshop with staff salaries, transportation, equipment, staff to administer and supervise training programs, and other funds necessary for the operation of the workshop. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the mentally and/or physically handicapped adults of Scioto County, the workshop is presented as a component unit of Scioto County. STAR, Inc. operates on a calendar year ending December 31. Separately issued financial statements can be obtained from STAR, Inc., located at 2625 Gallia Street, Portsmouth, Ohio 45662.

Scioto County Airport Authority

The Scioto County Airport Authority operates under a separate board that consists of five members appointed by the County Commissioners. The airport authority generates revenue from sales of fuel, leasing of equipment and rental space. Grants are applied for in the airport authority's name. The County provides payroll, fringe benefits and some utilities. The County is directly responsible for the Airport Facilities Bond and the Airport Facilities Bond Anticipation Note and owns all land and airport hangers. Financial statements are audited and issued as part of Scioto County and are not obtainable separately.

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

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

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

The County is associated with certain organizations which are defined as Jointly Governed Organizations, a Joint Venture, a Risk Sharing Pool, a Group Purchasing Pool, and a Related Organization. These organizations are presented in Notes 19, 20, and 21 to the Basic Financial Statements. These organizations are:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

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

FUND ACCOUNTING

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

GOVERNMENTAL FUNDS

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

General – This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

PROPRIETARY FUNDS

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

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

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

FIDUCIARY FUNDS

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

MEASUREMENT FOCUS

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

BASIS OF ACCOUNTING

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

REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales tax, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from permissive sales tax is recognized in the period in which the sales occur. (See Note 8.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

DEFERRED REVENUE

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

EXPENSES/EXPENDITURES

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

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash balances of the County’s funds, except cash held by a trustee, and cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents” in the financial statements. Cash and cash equivalents that are held separately by the component units and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as “Cash and Cash Equivalents in Segregated Accounts.” The County utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance held in this account is presented as “Restricted Assets: Cash and Cash Equivalents with Trustee.”

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

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during 2004. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on December 31, 2004.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2004 amounted to \$177,911, which includes \$170,316 assigned from other funds.

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

MATERIALS AND SUPPLIES INVENTORY

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets are those set aside for the replacement and improvement of capital assets originally acquired with bond proceeds and for repayment of current debt service that are required by the bond indentures to be held by a financial services corporation. The bond indentures for the Shelton Bonds and the Sewer System Refunding Bonds require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses. These as well as other bond indentures of the County have restrictions on the use of these resources.

INTERFUND RECEIVABLES/PAYABLES

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

CAPITAL ASSETS

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

COMPENSATED ABSENCES

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

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

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

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

RESERVATION OF FUND BALANCE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BOND PREMIUMS AND ISSUANCE COSTS

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

INTERFUND TRANSACTIONS

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

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

ESTIMATES

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

NET ASSETS

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT IN JOINT VENTURE

The County’s Investment in a Joint Venture relates to the County’s equity interest in the Joint Solid Waste District (see Note 19). The County’s share in year-end net assets is included as an Investment in Joint Venture.

OPERATING REVENUES AND EXPENSES

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

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

CHANGES IN ACCOUNTING PRINCIPLES

For 2004, the County has implemented GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*” and GASB Technical Bulletin No. 2004-2, “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers*”.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

RESTATEMENT OF FUND BALANCE

The implementation of GASB Statement No. 39 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements. For 2004, there were fund reclassifications that resulted in the following changes to net assets and fund balances:

	General Fund	Nonmajor Governmental Funds
Fund Balance, December 31, 2003	\$2,462,464	\$5,147,859
Fund Reclassification	24,028	(12,944)
Fund Balances, December 31, 2003 as Restated	\$2,486,492	\$5,134,915

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

	Governmental Activities
Net Assets	
December 31, 2003	\$40,705,507
Fund Reclassification	(1,829)
Adjusted Net Assets, December 31, 2003	\$40,703,678

For 2004, an error resulted in an understatement of Due From Other Governments within the Sewer Fund. The effect of this change resulted in the following restatement of fund net assets and fund balances.

	Sewer Fund
Fund Net Assets	
December 31, 2003	\$6,435,403
Correction of an error	600,000
Adjusted Fund Net Assets, December 31, 2003	\$7,035,403

For 2004, there were fund reclassifications and an error was discovered that resulted in the following changes to budget basis fund balances:

	General Fund
Budget Basis Fund Balance, December 31, 2003	\$818,491
Correction of an Error	135,079
Fund Reclassification	24,028
Budget Basis Fund Balances, December 31, 2003 as Restated	\$977,598

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

ACCOUNTABILITY

The Dog and Kennel, Business Development, and Roadwork Development Special Revenue Funds and the Burkes Point Project Capital Projects Fund had deficit fund balances of \$11,099, \$4,895, \$44,000, and \$37,434, respectively, at December 31, 2004. These deficits are due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The General Fund is liable for the deficits and provides transfers when cash is required, not when accruals occur.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

COMPLIANCE

The following accounts/functions had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 2004:

Fund Type/Name/Program	Final Appropriations	Final Expenditures	Excess
<i>General Fund:</i>			
Payment of Long-Term Note	\$0	\$517,000	(\$517,000)
<i>Special Revenue Funds:</i>			
Probation Supervision Services			
Public Safety	381,662	398,820	(17,158)
<i>Debt Service Funds:</i>			
Human Services Building Note			
Payment of Long-Term Note	0	240,000	(240,000)
Human Services Building Acquisition Bond			
Issuance Costs	0	32,076	(32,076)
Payment to Escrow Agent	0	2,008,155	(2,008,155)
<i>Capital Projects Fund:</i>			
Jail Construction Fund			
Payment of Long-Term Note	0	250,000	(250,000)
Issuance Costs	0	150,997	(150,997)

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payments on short-term obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. 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.

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

Net Change in Fund Balance					
	General	Public Assistance	Motor Vehicle Gas Tax	Board of Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	(\$420,607)	(\$373,967)	\$211,456	\$187,741	(\$381,146)
Increases (Decreases) Due To:					
Revenue Accruals	(478,370)	(1,042,616)	(404,418)	(365,968)	(77,730)
Expenditure Accruals	(57,587)	32,122	(94,322)	(42,073)	27,110
Encumbrances	(230,480)	(78,467)	(200,831)	(74,890)	(45,350)
Principal Payments	221,660	4,289	0	13,730	0
Unrecorded Cash	(2,023)	1,773	209	(33)	38
Transfers	(70,625)	0	0	0	0
Advances	100,642	0	0	0	0
Budget Basis	<u>(\$937,390)</u>	<u>(\$1,456,866)</u>	<u>(\$487,906)</u>	<u>(\$281,493)</u>	<u>(\$477,078)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

The investment and deposit of County monies are governed by the Ohio Revised Code. State statutes classify monies held by the County into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

At year-end, the County had \$121,964 of undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits: At year-end, the carrying amount of the County's deposits was \$15,914,122 and the bank balance was \$17,333,142. Of the bank balance, \$498,665 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 3	Unclassified	Carrying and Fair Value
Repurchase Agreements	\$1,000,324	\$0	\$1,000,324
STAROhio	0	3,900	3,900
Total	\$1,000,324	\$3,900	\$1,004,224

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in *GASB Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents	Investments
<i>GASB Statement No. 9</i>	\$17,040,310	\$0
Cash on Hand	(\$121,964)	\$0
Repurchase Agreements	(\$1,000,324)	\$1,000,324
STAROhio	(3,900)	3,900
<i>GASB Statement No. 3</i>	\$15,914,122	\$1,004,224

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all County operations for the year ended December 31, 2004, was \$7.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$575,801,270
Commercial/Industrial/Mineral	138,702,180
Public Utility Real	7,004,780
Tangible Personal Property:	
General	75,741,620
Public Utility Real	75,356,470
Total Assessed Value	<u><u>\$872,606,320</u></u>

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

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

NOTE 7 - PROPERTY TAXES (Continued)

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim. In the General Fund, the Mental Retardation and Developmental Disabilities Fund, the Children Services Fund, and the T.B. Levy Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

NOTE 8 - PERMISSIVE SALES TAX

In accordance with Sections 5739.021 and 5741.021 of the Revised Code, the County Commissioners, by resolution, imposed a one and one-half percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2004.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), interest on investments, interfund activity, receivables due from other governments arising from grants and shared revenues, and loans. All receivables are considered fully collectible, including sewer charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – RECEIVABLES (Continued)

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

	<i>Amount</i>
Governmental Activities:	
Local Government	\$474,946
Local Government Revenue Assistance	141,980
Juvenile Detention Center Contractual Services	112,708
RECLAIM Reimbursement	95,883
MRDD Reimbursements	297,356
Ohio Developmental Disabilities Council	8,115
Human Services Grant	1,471,115
Child Support Poundage	13,591
Tuition Reimbursement	18,464
Child Support Reimbursements	139,370
Court Fines and Fees	41,385
CHIP Program	522,000
Homestead and Rollback	273,621
REACH Grants	186,917
Children Services Grant	703,927
Homeland Security Grant	296,288
School Lunch Reimbursement	1,555
Preschool Disabilities Grant	10,192
Special Education Grant	51,561
COPS	178,631
CDBG Grant	344,000
Business Development Grant	26,662
Roadwork Development Grant	44,000
Community Corrections Act Grant	56,085
VOCA Grant	51,565
Recycle Ohio	7,914
Gasoline Tax	918,616
Motor Vehicle License Tax	1,440,128
Total Governmental Activities	7,928,575
Business-Type Activities:	
Community Development Block Grant	600,000
Total Intergovernmental Receivables	\$8,528,575

NOTE 10 – LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2004, was \$1,123,126, of which \$139,384 is considered to be due within one year. The County shows a Loan Receivable from the Airport Authority at December 31, 2004, in the amount of \$192,765, of this amount \$6,567 is due within one year.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2004, was as follows:

	Balance At 12/31/2003	Additions	Deletions	Balance At 12/31/2004
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$1,832,506	\$5,760	\$0	\$1,838,266
Construction in Progress	428,266	2,439,227	(160,704)	2,706,789
Total Capital Assets Not Being Depreciated	2,260,772	2,444,987	(160,704)	4,545,055
Depreciable Capital Assets:				
Land Improvements	64,574	0	0	64,574
Buildings and Building Improvements	35,167,342	280,974	0	35,448,316
Furniture, Fixtures, and Equipment	2,866,258	305,642	(26,857)	3,145,043
Vehicles	5,818,911	435,990	(143,872)	6,111,029
Infrastructure	2,005,540	1,207,962	0	3,213,502
Total Depreciable Capital Assets	45,922,625	2,230,568	(170,729)	47,982,464
Less Accumulated Depreciation:				
Land Improvements	(54,371)	(1,630)	0	(56,001)
Buildings and Building Improvements	(6,213,994)	(650,622)	0	(6,864,616)
Furniture, Fixtures, and Equipment	(2,019,600)	(183,491)	12,742	(2,190,349)
Vehicles	(4,499,842)	(353,435)	107,265	(4,746,012)
Infrastructure	(103,842)	(127,526)	0	(231,368)
Total Accumulated Depreciation	(12,891,649)	(1,316,704) *	120,007	(14,088,346)
Depreciable Capital Assets, Net	33,030,976	913,864	(50,722)	33,894,118
Governmental Activities Capital Assets, Net	\$35,291,748	\$3,358,851	(\$211,426)	\$38,439,173
	Balance At 12/31/2003	Additions	Deletions	Balance At 12/31/2004
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$2,144,915	\$54,368	(\$2,055,386)	\$143,897
Depreciable Capital Assets:				
Buildings and Building Improvements	6,977,328	11,200	0	6,988,528
Furniture, Fixtures, and Equipment	655,657	25,190	0	680,847
Vehicles	249,604	0	0	249,604
Infrastructure	8,482,469	2,476,807	0	10,959,276
Total Depreciable Capital Assets	16,365,058	2,513,197	0	18,878,255
Less Accumulated Depreciation:				
Buildings and Building Improvements	(1,687,903)	(146,996)	0	(1,834,899)
Furniture, Fixtures, and Equipment	(530,174)	(85,609)	0	(615,783)
Vehicles	(223,924)	(7,070)	0	(230,994)
Infrastructure	(2,620,967)	(148,146)	0	(2,769,113)
Total Accumulated Depreciation	(5,062,968)	(387,821)	0	(5,450,789)
Depreciable Capital Assets, Net	11,302,090	2,125,376	0	13,427,466
Business-Type Activities Capital Assets, Net	\$13,447,005	\$2,179,744	(\$2,055,386)	\$13,571,363

NOTE 11 - CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental programs as follows:

General Government:	
Legislative and Executive	\$197,330
Judicial	21,397
Public Safety:	
Sheriff	186,905
Other	214,294
Public Works	272,487
Health	105,917
Human Services	53,428
Conservation and Recreation	209,115
Transportation	55,831
Total Depreciation Expense	<u><u>\$1,316,704</u></u>

NOTE 12 - RISK MANAGEMENT

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

For 2004, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. (See Note 20) The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year-ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,988,363, \$2,085,711, and \$2,014,521, respectively; 78.29 percent has been contributed for 2004. The full amount has been contributed for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$26,288 made by the County and \$16,491 made by the plan members.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

For the year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the years ended December 31, 2004, 2003, and 2002 were \$95,421, \$122,070, and \$80,035, respectively; 86.46 percent has been contributed for calendar year 2004 and 100 percent for 2003 and 2002.

NOTE 14 - POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$805,859. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Benefits are funded on a pay-as-you-go basis.

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$7,340 for 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

NOTE 15 - OTHER EMPLOYEE BENEFITS

DEFERRED COMPENSATION

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

COMPENSATED ABSENCES

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

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

INSURANCE BENEFITS

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

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 16 – LEASES – LESSEE DISCLOSURE

During 2004, and in prior years, the County entered into capitalized leases for vehicles, and for furniture, fixtures, and equipment. The leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as a debt service expenditure in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General capital assets consisting of vehicles, and furniture, fixtures, and equipment have been capitalized in the amount of \$634,726. This amount represents the present value of the minimum lease payments at the time of acquisition. During 2004, the County disposed of a capital lease prior to the full retirement of the lease agreement. Therefore, the remaining balance of \$3,403 remaining on the lease was eliminated from the financial statements. Principal payments in 2004 totaled \$312,487 in the governmental funds.

The assets acquired through capital leases as of December 31, 2004, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Vehicles	\$375,349	\$66,861	\$308,488
Furniture, Fixtures, and Equipment	259,377	93,540	165,837
Total	\$634,726	\$160,401	\$474,325

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, 2004:

Year Ending December 31,	
2005	\$203,414
2006	118,634
2007	12,826
2008	8,152
2009	4,119
Total	347,145
Less: Amount Representing Interest	(24,768)
Present Value of Net Minimum Lease Payments	\$322,377

The County leases buildings, vehicles, and furniture, fixtures, and equipment under noncancelable operating leases. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in 2004 totaled \$99,966 in the general fund and \$22,576 in the special revenue funds.

NOTE 16 – LEASES – LESSEE DISCLOSURE (Continued)

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

	Year Ending December 31,	
	2005	\$36,732
	2006	11,951
	2007	6,605
	2008	1,260
	2009	1,260
Total		\$57,808

NOTE 17 - LONG-TERM OBLIGATIONS

BUSINESS-TYPE ACTIVITIES

General Obligation Bonds

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

During 1999, the County issued General Obligation Bonds supported by Sewer Fund revenues in the amount of \$2,880,000 to advance refund the West Portsmouth Sewer System outstanding debt. The advance refunding resulted in an economic loss (difference between the book value of the old debt and the reacquisition amount) of \$211,245. The unamortized amount of the loss at December 31, 2004, was \$147,116 and is reported as a reduction in the liability. As a result, the General Obligation Bonds supported by Sewer Fund Revenues outstanding at December 31, 2004, has been reduced by the unamortized loss of \$147,116 within the financial statements.

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

Mortgage Revenue Bonds

In 1970, Scioto County issued \$615,000 in Mortgage Revenue Bonds for the purpose of replacing sewer lines. The Sewer Fund’s bond indentures have certain restrictive covenants which principally require that a bond reserve fund be maintained and charges for services to customers be in sufficient amounts, as defined, to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties in good condition. The bonds were issued for a forty year period with final maturity in May 2010. The bonds will be paid with revenues from the Sewer Fund.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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 Loans

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

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

Wastewater Treatment Plant Bond Anticipation Note

During 2003, the County issued a Bond Anticipation Note in anticipation of the issuance of General Obligation Bonds for the purpose of paying the cost of renovating the Wheelersburg Wastewater Treatment Plant. The note was fully paid in 2004 when the General Obligation Bonds were issued.

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

	Principal Outstanding at 12/31/2003	Additions	Deletions	Principal Outstanding at 12/31/2004	Due Within One Year
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
Franklin Furnace 1997 4.50% - \$846,000	\$792,908	\$0	\$10,293	\$782,615	\$10,757
Sewer System Refunding Bonds					
West Portsmouth Sewer 1999 4.50% - \$2,880,000	2,320,000	0	125,000	2,195,000	130,000
Unamortized Loss	(158,433)	0	(11,317)	(147,116)	0
Wastewater Treatment 2004 4.50% - \$1,200,000	0	1,200,000	11,210	1,188,790	11,720
Total Enterprise General Obligation Bonds	2,954,475	1,200,000	135,186	4,019,289	152,477
<u>Mortgage Revenue Bonds</u>					
1970 5.375% - \$615,000	\$220,000	\$0	\$25,000	\$195,000	\$30,000

Continued

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

<u>Business-Type Activities (Continued)</u>	Principal Outstanding at 12/31/2003	Additions	Deletions	Principal Outstanding at 12/31/2004	Due Within One Year
<u>Farmer's Home Administration (FHA) Bonds</u>					
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	\$739,100	\$0	\$11,100	\$728,000	\$11,700
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	593,060	0	8,640	584,420	9,030
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	779,376	0	10,712	768,664	11,194
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	792,020	0	9,190	782,830	9,600
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	339,630	0	4,450	335,180	4,660
Total FHA Bonds	3,243,186	0	44,092	3,199,094	46,184
<u>OPWC Loans</u>					
2002 0% - \$162,352	150,175	0	8,118	142,057	8,118
2004 0% - \$162,100	0	162,100	4,053	158,047	8,106
Total OPWC Loans	150,175	162,100	12,171	300,104	16,224
<u>Wastewater Treatment Plant Bond Anticipation</u>					
Note July 10 2003 1.39% - \$1,200,000	1,200,000	0	1,200,000	0	0
Compensated Absences Payable	75,426	22,270	21,033	76,663	45,129
Total Business-Type Activities	\$7,843,262	\$1,384,370	\$1,437,482	\$7,790,150	\$290,014

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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

	General Obligation Bonds		Mortgage Revenue Bonds		FHA Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$152,477	\$187,453	\$30,000	\$9,675	\$46,184	\$148,437
2006	158,481	181,242	30,000	8,063	48,348	146,289
2007	164,547	174,380	30,000	6,450	50,584	144,039
2008	170,645	167,255	35,000	4,703	52,894	141,686
2009	176,798	159,866	35,000	2,822	55,369	139,225
2010-2014	1,023,203	673,001	35,000	941	318,177	654,965
2015-2019	815,928	425,091	0	0	399,254	573,699
2020-2024	237,935	318,001	0	0	501,298	471,620
2025-2029	296,500	259,426	0	0	629,674	343,388
2030-2034	369,499	186,434	0	0	742,553	182,281
2034-2039	366,442	97,539	0	0	354,759	37,457
2040-2044	233,950	26,898	0	0	0	0
Totals	\$4,166,405	\$2,856,586	\$195,000	\$32,654	\$3,199,094	\$2,983,086

	OPWC Loans		Totals	
	Principal	Interest	Principal	Interest
2005	\$16,224	\$345,565	\$244,885	\$345,565
2006	16,224	335,594	253,053	335,594
2007	16,224	324,869	261,355	324,869
2008	16,224	313,644	274,763	313,644
2009	16,224	301,913	283,391	301,913
2010-2014	81,120	1,328,907	1,457,500	1,328,907
2015-2019	81,120	998,790	1,296,302	998,790
2020-2024	56,744	789,621	795,977	789,621
2025-2029	0	602,814	926,174	602,814
2030-2034	0	368,715	1,112,052	368,715
2035-2039	0	134,996	721,201	134,996
2040-2044	0	26,898	233,950	26,898
Totals	\$300,104	\$5,872,326	\$7,860,603	\$5,872,326

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

GOVERNMENTAL ACTIVITIES

General Obligation Bonds

The County issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of Bond Anticipation Notes. General Obligation Bonds are direct obligations and pledge the full faith and credit of the County for repayment. These bonds are generally issued as 20 year serial bonds. The Airport Facilities Bond is being paid with monies received from the Scioto County Airport Authority. The Shelton Industries Bonds are paid from general revenues of the County. The Various Purpose and Juvenile Detention Center bonds are both being paid with tax monies received into the General Fund and then transferred to the Debt Service Fund.

The 2004 Human Services Refunding Bonds were issued May 1, 2004, for the purpose of advance refunding the \$1,960,000 outstanding Human Services Bonds. The proceeds of \$1,960,000 were deposited with an escrow agent who paid the outstanding amount of the bonds on August 1, 2004. As a result, \$1,960,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The refunding resulted in a difference of \$48,155 between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the difference at December 31, 2004, was \$43,967. Total debt service payments decreased by \$133,044 as a result of the refunding. The County also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$121,507.

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

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

Bond Anticipation Notes

The County had four outstanding bond anticipation notes included in long-term debt at December 31, 2004: the Human Services Building Bond Anticipation Note was issued in anticipation of the issuance of General Obligation Bonds for the acquisition and renovation of capital facilities to be used by the State of Ohio Department of Human Services, the Commercial Property Acquisition Bond Anticipation Notes were issued for building acquisitions and renovations, the Airport Hanger Bond Anticipation Notes were issued for acquisition of an airport hanger, and the County Jail Bond Anticipation Notes were used for construction of the new jail.

The Human Services Building Acquisition Bond Anticipation Note was retired during 2004 in the amount of \$240,000 and a new Human Services Building Acquisition Bond Anticipation Note was issued in its place in the amount of \$230,000.

The Commercial Property Acquisition Bond Anticipation Note was retired during 2004 in the amount of \$342,000 and a Commercial Property Acquisition Bond Anticipation Note was issued in its place in the amount \$317,000.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

The Airport Hanger Bond Anticipation Note was retired during 2004 in the amount of \$175,000 and an Airport Hanger Bond Anticipation Note was issued in its place in the amount of \$155,000.

The County Jail Bond Anticipation Note was retired during 2004 in the amount of \$250,000 and a County Jail Bond Anticipation Note was issued in its place in the amount of \$250,000.

All Bond Anticipation Notes are backed by the full faith and credit of the County.

Mental Retardation and Developmental Disabilities (MRDD) Loan

The Board of Mental Retardation and Developmental Disabilities has an outstanding loan which was issued in 1986. The proceeds from the loan were used to construct the building for the STAR Workshop.

The loan is being retired from the Board of Mental Retardation and Developmental Disabilities special revenue fund and will be fully retired in January 2013.

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

	Principal Outstanding at 12/31/2003	Additions	Deletions	Principal Outstanding at 12/31/2004	Due Within One Year
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
Human Services					
1994 4.95% - \$3,610,000	\$1,960,000	\$0	\$1,960,000	\$0	\$0
Airport Facilities Bond					
2001 7.00% - \$55,000	43,903	0	6,138	37,765	6,567
Shelton Industries					
1999 8.05% - \$2,870,000	2,700,000	0	50,000	2,650,000	55,000
Various Purpose Bonds					
2000 5.7% - \$1,940,000	1,585,000	0	130,000	1,455,000	135,000
Juvenile Detention Center					
2000 5.80% - \$1,820,000	1,650,000	0	60,000	1,590,000	65,000
Human Services Refunding					
2004 2.00 - 3.25% - \$2,050,000	0	2,050,000	215,000	1,835,000	245,000
Unamortized Loss	0	(48,155)	(4,188)	(43,967)	0
County Jail Bonds					
2004 2.00 - 5.00% - \$6,135,000	0	6,135,000	0	6,135,000	160,000
Premium on Jail Bonds	0	5,252	134	5,118	0
Total General Obligation Bonds	\$7,938,903	\$8,142,097	\$2,417,084	\$13,663,916	\$666,567

(Continued)

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/2003	Additions	Deletions	Principal Outstanding at 12/31/2004	Due Within One Year
<u>Governmental Activities (Continued)</u>					
<u>Bond Anticipation Notes</u>					
Human Services Building Acquisition 2004 1.68% - \$230,000	\$240,000	\$230,000	\$240,000	\$230,000	\$0
Airport Hangar November 20, 2004 2.90% - \$155,000	175,000	155,000	175,000	155,000	0
Commercial Property Acquisition September 23, 2004 2.00% - \$317,000	342,000	317,000	342,000	317,000	0
County Jail November 17, 2004 2.60% - \$250,000	250,000	250,000	250,000	250,000	0
Total Bond Anticipation Notes	1,007,000	952,000	1,007,000	952,000	0
<u>Other Long-Term Obligations</u>					
MRDD Loan Payable 1986 3.00% - \$150,000	66,550	0	6,349	60,201	6,572
Capital Leases Payable	349,537	288,730	315,890	322,377	188,079
Compensated Absences Payable	1,952,575	1,192,675	1,048,666	2,096,584	1,237,526
Total Other Long-Term Obligations	2,368,662	1,481,405	1,370,905	2,479,162	1,432,177
Total Governmental Activities	\$11,314,565	\$10,575,502	\$4,794,989	\$17,095,078	\$2,098,744

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

	General Obligation Bonds		MRDD Loan		Commercial Property Acquisition Note	Human Services Bond Anticipation Note
	Principal	Interest	Principal	Interest		Principal
2005	\$666,566	\$673,023	\$6,572	\$1,972	\$317,000	\$230,000
2006	692,027	650,520	6,802	1,742	0	0
2007	717,519	626,669	7,040	1,504	0	0
2008	738,045	600,720	7,287	1,257	0	0
2009	768,608	572,212	7,542	1,002	0	0
2010-2014	2,805,000	2,418,591	24,958	1,386	0	0
2015-2019	2,705,000	1,773,273	0	0	0	0
2020-2024	2,595,000	992,963	0	0	0	0
2025-2029	2,015,000	293,850	0	0	0	0
Totals	\$13,702,765	\$8,601,821	\$60,201	\$8,863	\$317,000	\$230,000

(continued)

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Airport Hanger		Totals	
	Bond	County Jail Bond		
	Anticipation Notes	Anticipation Notes	Principal	Interest
2005	\$155,000	\$250,000	\$1,625,138	\$674,995
2006	0	0	698,829	652,262
2007	0	0	724,559	628,173
2008	0	0	745,332	601,977
2009	0	0	776,150	573,214
2010-2014	0	0	2,829,958	2,419,977
2015-2019	0	0	2,705,000	1,773,273
2020-2024	0	0	2,595,000	992,963
2025-2029	0	0	2,015,000	293,850
Totals	<u>\$155,000</u>	<u>\$250,000</u>	<u>\$14,714,966</u>	<u>\$8,610,684</u>

CAPITAL LEASES AND COMPENSATED ABSENCES

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

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

General Fund

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

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

CONDUIT DEBT OBLIGATION

During 2001, the County issued Revenue Bonds in the aggregate principal amount of \$1,870,000 for the Shawnee Mental Health Center. The proceeds were used by the Shawnee Mental Health Center to construct a new facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2004, is \$1,745,000.

During 2002, the County issued Revenue Bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds were used by The Counseling Center, Inc. to renovate two of its facilities and to refinance an outstanding commercial loan that was used to acquire and renovate three of its facilities. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2004, is \$1,200,000.

During 1985, the County, in conjunction with several other political subdivisions of Ohio, issued Revenue Bonds in the aggregate principal amount of \$72,000,000. The proceeds were used to fund the VHA Central Inc. Capital Asset Financing Program. The program provides financing for hospitals in Ohio to acquire equipment and other capital assets. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2004, is \$37,800,000.

During 1991, the County issued Revenue Bonds in the aggregate principal amount of \$27,200,000 for The Norfolk Southern Corporation. The proceeds were used to refund bonds that had been used by Norfolk Southern Corporation to finance the construction of a coal distribution facility. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2004, is \$11,127,273.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

During 2004, the County issued Revenue Bonds in the aggregate principal amount of \$10,935,000 for The Hillview Retirement Center. The proceeds are to be used by The Hillview Retirement Center to refund existing bonds and to construct new facilities. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. There has not been, and currently is not, any condition of default under the bonds or the related financing documents. The County is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the County's debt presentation. Neither the full faith and credit or taxing power of the County is pledged to make repayment. The balance outstanding as of December 31, 2004, is \$10,935,000.

The County's total legal debt margin was \$16,748,990 at December 31, 2004, with an unvoted debt margin of \$5,794,895 at December 31, 2004.

NOTE 18 - INTERFUND ACTIVITY

Interfund balances at December 31, 2004, consist of the following individual fund receivables and payables:

		Receivables					
		General	Public Assistance	Children Services	Nonmajor Governmental Funds	Sewer	Total
Payables	General	\$0	\$12,430	\$0	\$0	\$0	\$12,430
	Public Assistance	0	0	49,019	37,276	0	86,295
	Nonmajor Governmental Funds	67,432	30,548	0	18,870	21,767	138,617
	Total	\$67,432	\$42,978	\$49,019	\$56,146	\$21,767	\$237,342

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 18 – INTERFUND ACTIVITY (Continued)

The General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies and for services performed for which payments are owed. The \$12,430 due to Public Assistance Fund from the General Fund is a result of County departments using postage meters that are designated for the Public Assistance department. These departments reimburse Public Assistance for the postage that is used every month. All advances will be reimbursed when either funds become available or when payments for services are rendered.

Transfers made during the year ended December 31, 2004 were as follows:

		Transfers To						Total
		General	Public Assistance	Motor Vehicle Gas Tax	Children's Services	Sewer	Nonmajor Governmental Funds	
Transfers From	General	\$0	\$450,502	\$265,000	\$5,000	\$26,150	\$1,384,077	\$2,130,729
	Nonmajor Governmental Funds	90,302	0	0	0	17,579	50,000	157,881
	Total	\$90,302	\$450,502	\$265,000	\$5,000	\$43,729	\$1,434,077	\$2,288,610

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Monies transferred to the General Fund were made in order to redistribute certificate of title monies. The transfer to the Sewer Fund from the Federal Emergency Management Association Fund was monies received to cover costs related to disaster assistance. The transfer of \$50,000 was from the Real Estate Assessment Fund to the GIS Bond Debt Service Fund for the principal payment of bonds.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

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

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

The three-county ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: four members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, four are appointed by the Ohio Director of Mental Health Service, four each are appointed by Scioto and Lawrence Counties and two are appointed by Adams County. The main sources of revenue for this board are grants from the two State departments. Outside agencies are contracted by the Board to provide service for the Board. Financial records are maintained by the Scioto County Auditor and Treasurer. Each county has a participation percent based upon the number of Board Members appointed. Scioto County appoints four members, which represents 40% of the total members appointed by the three counties. The ADAMHS Board received a contribution from the County of \$2,000 during 2004.

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

OHIO VALLEY RESOURCE CONSERVATION AND DEVELOPMENT AREA, INC.

The Ohio Valley Resource Conservation and Development Area, Inc. is a jointly governed organization that is operated as a non-profit corporation. The Ohio Valley Resource Conservation and Development Area, Inc. was created to aid regional planning to participating counties. Scioto County, along with Ross, Vinton, Highland, Brown, Adams, Pike, Jackson, Gallia, and Lawrence Counties each appoint three members to the thirty member Council. The Council selects an administrator to oversee operations. The Ohio Valley Resource Conservation and Development Area, Inc. received a contribution from the County of \$120 during 2004; other revenues are from USDA grants. Scioto County does not have any ongoing financial interest or responsibilities nor can it significantly influence management.

WORKFORCE INVESTMENT BOARD

The Workforce Investment Board is a jointly governed organization of representatives from the private and public sectors of Pike, Scioto, Adams, and Brown Counties appointed by the county commissioners from each county. The forty-eight member board includes twelve members from each participating county and includes fifty-one percent of its members from the private sector. The remaining members include individuals from education, one stop partners, juvenile justice centers, labor organizations, local public housing and former participants. The Workforce Investment Board typically meets three to four times per year and is responsible for the five-year plan, selecting one-stop operators, selecting youth providers and coordinating all activities in association with Workforce Improvement Act funds. This board enables the participating counties to have more local control over the programs which they assist in overseeing. The Workforce Investment Board received no contributions from the County during 2004.

OHIO VALLEY REGIONAL DEVELOPMENT COMMISSION

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

SCIOTO COUNTY COMMUNITY ACTION ORGANIZATION

The Scioto County Community Action Organization (CAO) is an IRS 502C3 non-profit organization established to plan, develop, and coordinate programs and services designed to combat problems of poverty and seek the elimination of the conditions of poverty that affect the residents of Scioto County. The CAO administers the Workforce Investment Act (WIA) grant. The CAO Board is comprised of local public officials. The CAO controls its own operations and budget. In 2004, the County made no contributions to the CAO.

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

SOUTHERN OHIO DEVELOPMENT INITIATIVE

Southern Ohio Development Initiative was created with assistance from the U.S. Department of Energy to assist in the development of industrial areas to offset the potential downsizing and privatization of the Uranium Enrichment Plant in Piketon, Ohio. It is a legally separate, not for profit corporation with representatives from each of the counties impacted by the events at the Piketon Plant. The counties involved in this initiative are Pike, Ross, Scioto and Jackson Counties. The County has no liability to impose its will on the organization nor is a burden/benefit relationship in existence. During 2004, the County made no payments nor received any monies from the Southern Ohio Development Initiative.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

The Portsmouth Metropolitan Housing Authority is a political subdivision that consists of five members. One member is appointed by the probate court, one member by the court of common pleas, one member by the board of county commissioners, and two members by the chief executive officer of the City of Portsmouth. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Authority received no contributions from the County during 2004.

JOINT SOLID WASTE DISTRICT

The County participates in a joint venture with Lawrence County, the Joint Solid Waste District (the District). The purpose of the District is to make disposal of waste in the two-county area more comprehensive in terms of recycling, incinerating, and land filling. Each of the governments supports the District and shares in an equal percentage of equity. The degree of control exercised by each participating County is limited to its representation on the Board. The Board of Directors consists of nine members, including one County Commissioner from each County. Maintenance of the financial records pertaining to the operation of the Solid Waste District rotates between the two counties every third year. Lawrence County maintained the records in 2004.

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

The Solid Waste District is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future. The County contributed \$70,515 to the District during 2004. The County's investment interest in the Solid Waste District was \$36,719 as of December 31, 2004. Complete financial statements can be obtained from the Solid Waste District located at Veterans Square, 3rd Floor, Ironton, OH 45638.

NOTE 20 – RISK SHARING POOL / GROUP PURCHASING POOL

COUNTY RISK SHARING AUTHORITY, INC. (CORSA)

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

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

CORSA has insured certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payments of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2004 was \$334,201.

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

COUNTY COMMISSIONERS' ASSOCIATION OF OHIO WORKERS' COMPENSATION GROUP RATING PLAN

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Plan as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of the Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing responsibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and the treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a county commissioner.

SCIOTO COUNTY, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 21 – RELATED ORGANIZATION

SOUTHERN OHIO PORT AUTHORITY

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

NOTE 22 – CONTRACTUAL COMMITMENTS

As of December 31, 2004, the County had the following contractual purchase commitments for numerous projects:

Project/Contractor	Contract Amount	Amount Expended	Balance at December 31, 2004
<i>New County Jail Architects</i>			
Wachtel and McAnnally	\$853,845	\$691,519	\$162,326
West End Electric Company	1,832,766	252,935	1,579,831
J & H Reinforcing and Structure Erectors	6,780,391	1,054,292	5,726,099
B. B. & E. Inc.	2,530,280	471,771	2,058,509
Peck, Shaffer, and Williams - Attorneys at Law	15,000	11,433	3,567
Brewer and Co.	213,850	0	213,850
<i>Suncoke Pump Station</i>			
J & H Reinforcing and Structure Erectors	353,231	189,090	164,141
Woolpert, LLP	42,100	38,635	3,465
<i>Tax Valuation Reappraisal</i>			
Cole-Layer-Trumble Company	737,400	667,350	70,050
<i>CHIP Program Assistance</i>			
Leighty and Snider	36,500	2,669	33,831
<i>Wheelersburg Wastewater Treatment Plant Improvement</i>			
Woolpert, LLP	70,000	36,800	33,200
<i>Eden Park Sanitary Sewer</i>			
Woolpert, LLP	17,200	16,840	360
<i>Sciotoville Sewer/Rigrish Sanitary Sewer Extension</i>			
Woolpert, LLP	182,700	87,857	94,843
<i>Voter's Registration and Election Management System</i>			
Election Systems and Software Inc.	130,328	83,039	47,289
Totals	<u>\$13,795,591</u>	<u>\$3,604,230</u>	<u>\$10,191,361</u>

NOTE 23 - CONTINGENT LIABILITIES

LITIGATION

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

FEDERAL AND STATE GRANTS

For the period January 1, 2004, to December 31, 2004, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

NOTE 24 - RELATED PARTY TRANSACTIONS

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair value as applicable, in the financial statements of the STAR, Inc. In 2004, these contributions were \$116,140.

NOTE 25 - SUBSEQUENT EVENT

On January 27, 2005, the County reissued the Human Services Building Acquisition Bond Anticipation Notes in the amount of \$220,000 at a rate of 3.00%. This note will mature on January 26, 2006.

On September 22, 2005, the County reissued the Commercial Property Acquisition Bond Anticipation Notes in the amount of \$292,000 at a rate of 3.40%. This note will mature on September 22, 2006.

On November 16, 2005, the County reissued the County Jail Bond Anticipation Notes in the amount of \$250,000 at a rate of 3.75%. This note will mature on November 15, 2006.

On November 16, 2005, the County reissued the Airport Hanger Bond Anticipation Notes in the amount of \$135,000 at a rate of 4.10%. This note will mature on November 15, 2006.

The County will be receiving funding from the Department of Rehabilitation and Correction Jail Construction Grant to assist in the construction of the new jail that is being built for the County.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

STAR INC.

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

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

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

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

Deposits and Investments - At year-end, the carrying amount of the STAR, Inc. deposits was \$195,865 and the bank balance was \$200,017. Of the bank balance, \$75,810 was covered by federal deposit insurance. The remainder of \$124,207 was considered insured through Securities Investor Protection Corporation (SIPC) for which the securities are held by the broker.

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

Capital Assets - A summary of STAR, Inc. capital assets at December 31, 2004, follows:

Machinery and Equipment	\$201,047
Less: Accumulated Depreciation	<u>(150,950)</u>
Total Capital Assets (net)	<u><u>\$50,097</u></u>

Capital assets are depreciated on a straight-line basis using an estimated useful life of 3 to 10 years for STAR's equipment.

SCIOTO COUNTY AIRPORT AUTHORITY

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the Scioto County Airport Authority:

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Measurement Focus and Basis of Accounting - The Scioto County Airport Authority is accounted for like enterprise funds using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

Deposits and Investments – At year-end, the carrying amount of the Scioto County Airport Authority deposits was \$90,246 and the bank balance was \$191,120. Of the bank balance, \$100,000 of the bank balance was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions’ trust department in the Airport’s name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the Airport to a successful claim by the Federal Deposit Insurance Corporation.

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

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

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SCIOTO COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

FEDERAL GRANTOR			
<i>Pass Through Grantor</i>	Pass Through	Federal	
<u>Program Title</u>	<u>Entity Number</u>	<u>CFDA Number</u>	<u>Disbursements</u>
<u>United States Department of Agriculture</u>			
<i>Passed through Ohio Department of Education</i>			
Nutrition Cluster:			
School Breakfast Program	05PU	10.553	\$ 10,326
National School Lunch Program	LLP4	10.555	15,827
Total Nutrition Cluster			26,153
<i>Direct from the United States Department of Agriculture</i>			
Water and Waste Disposal Systems for Rural Communities - grant	N/A	10.760	226,384
Water and Waste Disposal Systems for Rural Communities - loan	N/A		9,174
Total Water and Waste Disposal Systems for Rural Communities			235,558
Total United States Department of Agriculture			261,711
<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	B-C-02-068-1	14.228	21,371
	B-F-03-068-1		346,000
Total Community Development Block Grants/State's Program			367,371
HOME Investment Partnerships Program	B-C-02-068-2	14.239	113,421
Total United States Department of Housing and Urban Development			480,792
<u>United States Department of Justice</u>			
<i>Passed through the Ohio Department of Youth Services</i>			
Juvenile Accountability Incentive Block Grant	2003-JB-002-A172	16.523	14,961
<i>Passed through the Office of the Ohio Attorney General</i>			
Crime Victim Assistance	2003VAGENE398T	16.575	39,408
<i>Direct from the United States Department of Justice</i>			
Byrne Formula Grant Program	02-LE-11091400-01c	16.579	2,500
Local Law Enforcement Block Grants Program	2003-LB-BX-2503	16.592	13,088
	2004-LB-BX-1607		6,327
Total Local Law Enforcement Block Grants Program			19,415
Community Prosecution and Project Safe Neighborhoods	2001-GP-CX-0053	16.609	619
Total United States Department of Justice			76,903
<u>United States Department of Transportation</u>			
<i>Direct from the United States Federal Aviation Administration</i>			
Airport Improvement Program	3-39-0069-0401	20.106	108,153
	3-39-0069-0502		15,712
	3-39-0069-0603		135,758
	3-39-0069-0704		12,167
Total Airport Improvement Program			271,790
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	76169	20.205	8,832
Formula Grants for Other Than Urbanized Areas	RPT-4073-022-031	20.509	18,465
	RPT-4073-023-041		220,827
	RPT-0073-023-042		84,305
Total Formula Grants for Other Than Urbanized Areas			323,597
Total Passed Through the Ohio Department of Transportation			332,429
<i>Passed Through Ohio Environmental Protection Agency</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	HMEP 10th Year	20.703	3,510
	HMEP 11th Year		1,924
Total Interagency Hazardous Materials Public Sector Training and Planning Grants			5,434
Total United States Department of Transportation			609,653
<u>United States General Services Administration</u>			
<i>Passed through Ohio Secretary of State</i>			
Election Reform Payments	04-SOS-HAVA-73	39.011	11,000
Total United States General Services Administration			11,000

SCIOTO COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Federal Grantor			
<i>Pass Through Grantor</i>	Pass Through	Federal	
<u>Program Title</u>	<u>Entity Number</u>	<u>CFDA Number</u>	<u>Disbursements</u>
<u>United States Department of Homeland Security</u>			
<i>Passed through Ohio Emergency Management Agency</i>			
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0106	97.004	8,335
	2003-MUP-30015		210,032
	2003-TE-TX-0199		110,647
	2004-GE-T4-0025		<u>65,418</u>
Total State Domestic Preparedness Equipment Support Program			394,432
Emergency Management Performance Grants	EMC-2004-GR-7007	97.042	38,009
Citizen Corps	EMC-2003-GR-7066	97.053	786
	2004-GC-T4-0025		<u>2,250</u>
Total Citizen Corps:			3,036
Community Emergency Response Teams	EMC-2003-GR-7066	97.054	<u>10,878</u>
Total United States Department of Homeland Security			446,355
<u>United States Department of Education</u>			
<i>Passed through Ohio Department of Education</i>			
<i>Special Education Cluster:</i>			
Special Education_Grants to States	078063-6BSF-04	84.027	59,152
	078063-6BSF-05		<u>34,374</u>
Total Special Education_Grants to States			93,526
Special Education_Preschool Grants	078063-PGS1-2004	84.173	8,386
	078063-PGS1-2005		<u>4,368</u>
Total Special Education_Preschool Grants			<u>12,754</u>
Total Special Education Cluster			106,280
State Grants for Innovative Programs	078063-C2S1-2004	84.298	502
	078063-C2S1-2005		<u>215</u>
Total State Grants for Innovative Programs			<u>717</u>
Total Passed Through the Ohio Department of Education			106,997
<i>Passed through Ohio Rehabilitation Services Commission</i>			
Rehabilitation Services_Vocational Rehabilitation Grants to States	N/A	84.126	16,675
<i>Passed through Ohio Department of Health</i>			
Special Education_Grants for Infants and Families with Disabilities	73-6-002-DE-04	84.181	48,750
	73-6-002-1-DE-05		<u>18,411</u>
Total Special Education_Grants for Infants and Families with Disabilities			67,161
<i>Passed through Scioto County Family and Children First Council</i>			
Special Education_Grants for Infants and Families with Disabilities	73-5-001-1-EG-04	84.181	64,826
	73-5-001-1-EG-05		<u>52,274</u>
Total Special Education_Grants for Infants and Families with Disabilities			<u>117,100</u>
Total United States Department of Education			307,933
<u>United States Department of Health and Human Services</u>			
<i>Passed through Ohio Developmental Disabilities Council</i>			
Developmental Disabilities Basic Support and Advocacy Grants	04-3/04	93.630	50,000
<i>Passed through Ohio Department of Job and Family Services</i>			
Grants to States for Access and Visitation Programs	G-05-09-1500	93.597	12,038
<i>Passed through State Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant	04-05	93.667	74,257
<i>State Children's Insurance Program:</i>			
Targeted Case Management	N/A	93.767	2,952
Community Alternative Funding System	N/A		<u>26,719</u>
Total State Children's Insurance Program:			29,671
<i>Medical Assistance Program:</i>			
Community Alternative Funding System	N/A	93.778	899,041
Targeted Case Management	N/A		373,057
Waiver Administration	N/A		58,922
Individual Options Waiver	N/A		23,686
PASSAR	N/A		<u>200</u>
Total Medical Assistance Program			<u>1,354,906</u>
Total Passed through State Department of Mental Retardation and Developmental Disabilities			1,458,834
Total United States Department of Health and Human Services			<u>1,520,872</u>
Total Federal Awards Expenditures			<u>\$ 3,715,219</u>

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

SCIOTO COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – MATCHING REQUIREMENTS

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

NOTE 3 – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

At December 31, 2004, the gross amount of loans outstanding under this program was \$1,528,939. Of the loan balances outstanding, \$598,578 were deemed uncollectible. This amount was written off during the compilation process for reporting purposes. The County is still attempting to recover these funds through litigation, however, the County does not feel that collection is likely.

Most of these loans are collateralized by mortgages on the property and by equipment, however, the County has taken second and third position lien holders on one of the loans which is in the uncollectible loan noted above. The company is in bankruptcy and is in default of the revolving loan agreement. The assets of the business were sold, however, proceeds from the sales did not generate enough revenue to pay first lien holders, therefore, the County did not receive the program income for this loan. The County has issued judgment against this business in an effort to collect the principal of this loan.

NOTE 4 – CHILD NUTRITION CLUSTER

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

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Auditor of State Betty Montgomery

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

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scioto County, Ohio (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated December 22, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the County's management dated December 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Scioto County
Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Governmental Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 22, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

Compliance

We have audited the compliance of Scioto County, Ohio (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter date December 22, 2005.

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

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

Betty Montgomery
Auditor of State

December 22, 2005

SCIOTO COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Formula Grants For Other Than Urbanized Areas CFDA # 20.509 State Domestic Preparedness Equipment Support Program CFDA # 97.004 Medical Assistance Program CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCIOTO COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004
(Continued)**

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

FINDING NUMBER 2004-001

Finding for Recovery

On December 29, 2004, at the County's request, the Auditor of State's office performed an inventory of the Prosecutor's evidence room. A sample of cases were chosen from the inventory listing maintained by the Prosecutor's office and traced to items in the evidence room and a sample was chosen from the evidence room to trace back to the listing. At that time a list was given to the Prosecutor's office of items/cash that could not be located.

As of September 23, 2005, all items and cash had been located except for monies collected in two cases. These cases are as follows: *Ohio v. Robert W. Williams*, case # 00-CR-000333, filed on May 26, 2000 where \$267 had been confiscated and also the case of *Ohio v. Naomi J. Hamilton*, case # 00-CR-000734, filed on October 25, 2000, where \$92 had been confiscated. The total amount collected from these two cases was \$359.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against former County Prosecutor, Lynn Alan Grimshaw, and his surety, CNA Surety, jointly and severally, in the amount of three hundred fifty nine dollars (\$359) and in favor of the Prosecuting Attorney's Law Enforcement Trust Fund.

3. FINDINGS FOR FEDERAL AWARDS

None.

SCIOTO COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Reportable Condition – The Sanitary engineer did not reconcile daily collections to the revenue report received from the County Auditor’s Office; did not review or approve reports received from their service organization; did not prepare a reconciliation of their bank account for the entire audit period; and did not maintain support and approval for adjustments made to individual accounts.	Yes	N/A

SCIOTO COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	Since the beginning of the current term of office for the County Prosecutor, the new County Prosecutor has established revised controls over the evidence room to prevent this type of item from occurring in the future and to increase accountability over items in the evidence room.	December 31, 2005	Mark Kuhn, County Prosecutor



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2006**