



**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 general purpose financial statements of Scioto County, Ohio (the County), as of and for the year ended December 31, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidence to support the existence and valuation of fixed assets reported in the General Fixed Asset Account Group, the Enterprise Fund, or the Scioto County Regional Airport Authority, a discretely presented component unit of the County.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the existence or valuation of fixed assets, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Scioto County, as of December 31, 2002, and the results of its operations and the cash flows of its enterprise fund and discrete component units 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 September 30, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose 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

September 30, 2003

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SCIOTO COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups, and Discretely Presented Component Unit
 December 31, 2002

	Governmental Fund Types				Proprietary Fund Type
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Enterprise</i>
<u>Assets and Other Debits</u>					
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,246,855	\$10,818,050	\$74,634	\$270,461	\$1,607,219
Cash and Cash Equivalents in Segregated Accounts	4,377	18,998	0	0	42,967
Receivables:					
Taxes	2,794,984	2,679,679	0	0	0
Accounts	33,849	43,408	0	0	379,807
Special Assessments	0	0	0	0	0
Interfund	93,267	10,500	0	0	0
Accrued Interest	93	0	0	0	0
Loans	0	1,350,319	0	0	0
Due from Other Funds	263	199,890	0	8,975	0
Due from Other Governments	842,294	5,804,247	0	580,334	0
Deferred Charges	0	0	0	0	81,437
Materials and Supplies Inventory	9,632	225,493	0	0	1,944
Prepaid Items	81,450	61,407	0	0	9,073
Investment in Joint Venture	0	0	0	0	0
Restricted Assets:					
Cash and Cash Equivalents with Trustee	0	0	292,168	0	139,764
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0	11,529,816
<u>Other Debits</u>					
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0
Total Assets and Other Debits	\$5,107,064	\$21,211,991	\$366,802	\$859,770	\$13,792,027

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Units		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		STAR Inc.	Airport Authority	
Agency						
\$2,940,203	\$0	\$0	\$16,957,422	\$0	\$0	\$16,957,422
683,849	0	0	750,191	231,477	65,109	1,046,777
27,268,589	0	0	32,743,252	3,523	0	32,746,775
250,692	0	0	707,756	20,629	3,696	732,081
563,299	0	0	563,299	0	0	563,299
0	0	0	103,767	0	0	103,767
0	0	0	93	0	17	110
0	0	0	1,350,319	0	0	1,350,319
0	0	0	209,128	0	0	209,128
7,382,422	0	0	14,609,297	0	376,638	14,985,935
0	0	0	81,437	0	0	81,437
0	0	0	237,069	5,155	0	242,224
0	0	0	151,930	0	0	151,930
0	11,193	0	11,193	0	0	11,193
0	0	0	431,932	0	0	431,932
0	34,929,526	0	46,459,342	32,999	52,173	46,544,514
0	0	366,802	366,802	0	0	366,802
0	0	10,461,285	10,461,285	0	0	10,461,285
<u>\$39,089,054</u>	<u>\$34,940,719</u>	<u>\$10,828,087</u>	<u>\$126,195,514</u>	<u>\$293,783</u>	<u>\$497,633</u>	<u>\$126,986,930</u>

(continued)

SCIOTO COUNTY, OHIO
 Combined Balance Sheet
 All Fund Types, Account Groups, and Discretely Presented Component Unit
 December 31, 2002
 (Continued)

	Governmental Fund Types				Proprietary Fund Type
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Enterprise</i>
<u>Liabilities, Fund Equity and Other Credits</u>					
<u>Liabilities</u>					
Accounts Payable	\$184,978	\$440,091	\$0	\$0	\$42,852
Contracts Payable	0	14,865	0	565,100	11,164
Accrued Wages and Benefits	54,259	225,851	0	0	4,038
Compensated Absences Payable	24,363	72,420	0	0	79,639
Interfund Payable	0	77,133	0	26,634	0
Due to Other Funds	15,925	192,940	0	0	0
Due to Other Governments	210,998	718,161	0	0	35,892
Deferred Revenue	2,101,584	6,534,235	0	580,334	0
Accrued Interest Payable	2,447	0	0	0	137,489
Notes Payable	557,000	0	0	0	1,200,000
Capital Leases Payable	0	0	0	0	0
Undistributed Assets	0	0	0	0	0
Loans Payable	0	0	0	0	158,293
Farmer's Home Administration Bond Payable	0	0	0	0	3,285,347
General Obligation Bonds Payable	0	0	0	0	3,073,008
Mortgage Revenue Bonds Payable	0	0	0	0	245,000
Total Liabilities	<u>3,151,554</u>	<u>8,275,696</u>	<u>0</u>	<u>1,172,068</u>	<u>8,272,722</u>
<u>Fund Equity and Other Credits</u>					
Investment in General Fixed Assets	0	0	0	0	0
Investment in Joint Venture Net Resources	0	0	0	0	0
Contributed Capital	0	0	0	0	3,772,531
Retained Earnings:					
Reserved:					
Reserved for Future Debt Service	0	0	0	0	99,764
Reserved for Replacement and Improvements	0	0	0	0	40,000
Unreserved	0	0	0	0	1,607,010
Fund Balance:					
Reserved for Encumbrances	263,633	567,240	0	0	0
Reserved for Loans Receivable	0	1,350,319	0	0	0
Unreserved:					
Undesignated (Deficit)	1,691,877	11,018,736	366,802	(312,298)	0
Total Fund Equity and Other Credits (Deficit)	<u>1,955,510</u>	<u>12,936,295</u>	<u>366,802</u>	<u>(312,298)</u>	<u>5,519,305</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,107,064</u>	<u>\$21,211,991</u>	<u>\$366,802</u>	<u>\$859,770</u>	<u>\$13,792,027</u>

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only) Primary Government	Component Units		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		STAR Inc.	Airport Authority	
Agency						
\$0	\$0	\$0	\$667,921	\$4,447	\$215	\$672,583
0	0	0	591,129	0	33,963	625,092
0	0	0	284,148	6,188	0	290,336
0	0	1,797,778	1,974,200	3,288	0	1,977,488
0	0	0	103,767	0	0	103,767
263	0	0	209,128	0	0	209,128
32,800,946	0	0	33,765,997	4,401	0	33,770,398
0	0	0	9,216,153	0	0	9,216,153
0	0	0	139,936	0	0	139,936
0	0	250,000	2,007,000	0	0	2,007,000
0	0	337,985	337,985	0	0	337,985
6,287,845	0	0	6,287,845	0	0	6,287,845
0	0	72,685	230,978	17,700	0	248,678
0	0	0	3,285,347	0	0	3,285,347
0	0	8,369,639	11,442,647	0	0	11,442,647
0	0	0	245,000	0	0	245,000
39,089,054	0	10,828,087	70,789,181	36,024	34,178	70,859,383
0	34,929,526	0	34,929,526	0	0	34,929,526
0	11,193	0	11,193	0	0	11,193
0	0	0	3,772,531	0	0	3,772,531
0	0	0	99,764	0	0	99,764
0	0	0	40,000	0	0	40,000
0	0	0	1,607,010	257,759	463,455	2,328,224
0	0	0	830,873	0	0	830,873
0	0	0	1,350,319	0	0	1,350,319
0	0	0	12,765,117	0	0	12,765,117
0	34,940,719	0	55,406,333	257,759	463,455	56,127,547
\$39,089,054	\$34,940,719	\$10,828,087	\$126,195,514	\$293,783	\$497,633	\$126,986,930

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SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,418,900	\$2,747,992	\$0	\$0	\$4,166,892
Sales Tax	8,233,430	0	0	0	8,233,430
Charges for Services	1,568,685	2,805,687	0	8,975	4,383,347
Licenses and Permits	7,558	33,003	0	0	40,561
Fines and Forfeitures	361,127	448,493	0	0	809,620
Intergovernmental	1,180,604	28,379,269	0	2,344,154	31,904,027
Interest	243,760	17,157	1,905	0	262,822
Other	328,033	313,206	367,140	38,108	1,046,487
Total Revenues	<u>13,342,097</u>	<u>34,744,807</u>	<u>369,045</u>	<u>2,391,237</u>	<u>50,847,186</u>
<u>Expenditures:</u>					
Current:					
General Government					
Legislative and Executive	3,167,705	384,608	0	0	3,552,313
Judicial	2,126,782	296,498	0	0	2,423,280
Public Safety	2,759,095	4,646,631	0	0	7,405,726
Public Works	19,418	3,057,019	0	0	3,076,437
Health	231,759	6,560,102	0	0	6,791,861
Human Services	325,353	20,119,151	0	0	20,444,504
Conservation and Recreation	189,784	138,451	0	0	328,235
Economic Development and Assistance	62,175	417,555	0	0	479,730
Transportation	0	701,410	0	0	701,410
Miscellaneous	1,664,327	0	0	3,132	1,667,459
Capital Outlay	664,041	1,820,679	0	3,579,550	6,064,270
Debt Service:					
Principal Retirement	162,286	75,831	410,000	0	648,117
Interest and Fiscal Charges	26,101	10,608	524,170	0	560,879
Total Expenditures	<u>11,398,826</u>	<u>38,228,543</u>	<u>934,170</u>	<u>3,582,682</u>	<u>54,144,221</u>
Excess of Revenues Over (Under) Expenditures	<u>1,943,271</u>	<u>(3,483,736)</u>	<u>(565,125)</u>	<u>(1,191,445)</u>	<u>(3,297,035)</u>
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	315,199	17,250	0	0	332,449
Proceeds of Notes	250,000	0	0	0	250,000
Operating Transfers - In	28,500	1,880,356	473,629	5,000	2,387,485
Operating Transfers - Out	(2,157,882)	(96,361)	0	(133,242)	(2,387,485)
Total Other Financing Sources (Uses)	<u>(1,564,183)</u>	<u>1,801,245</u>	<u>473,629</u>	<u>(128,242)</u>	<u>582,449</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>379,088</u>	<u>(1,682,491)</u>	<u>(91,496)</u>	<u>(1,319,687)</u>	<u>(2,714,586)</u>
Fund Balances at Beginning of Year - Restated (Note 3)	<u>1,576,422</u>	<u>14,618,786</u>	<u>458,298</u>	<u>1,007,389</u>	<u>17,660,895</u>
Fund Balances (Deficit) at End of Year	<u>\$1,955,510</u>	<u>\$12,936,295</u>	<u>\$366,802</u>	<u>(\$312,298)</u>	<u>\$14,946,309</u>

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Year Ended Decemebr 31, 2002

	General Fund			Special Revenue Funds		
	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<u>Revenues:</u>						
Property Taxes	\$1,273,450	\$1,418,900	\$145,450	\$2,949,600	\$2,747,992	(\$201,608)
Sales Tax	7,975,000	8,382,953	407,953	0	0	0
Charges for Services	1,539,100	1,564,171	25,071	2,510,307	2,433,564	(76,743)
Licenses and Permits	6,800	7,496	696	36,600	33,003	(3,597)
Fines and Forfeitures	341,000	355,986	14,986	289,418	455,789	166,371
Intergovernmental	1,386,550	1,379,590	(6,960)	30,736,816	28,489,581	(2,247,235)
Interest	250,000	245,735	(4,265)	92,200	17,081	(75,119)
Other	175,100	341,327	166,227	951,419	466,877	(484,542)
Total Revenues	12,947,000	13,696,158	749,158	37,566,360	34,643,887	(2,922,473)
<u>Expenditures:</u>						
Current:						
General Government						
Legislative and Executive	3,339,052	3,192,319	146,733	616,698	512,574	104,124
Judicial	2,119,993	2,080,889	39,104	356,336	288,638	67,698
Public Safety	3,169,829	3,132,590	37,239	5,048,499	4,323,112	725,387
Public Works	152,036	84,125	67,911	3,801,052	3,308,827	492,225
Health	257,500	255,016	2,484	6,641,554	6,510,554	131,000
Human Services	390,166	380,868	9,298	22,725,055	20,277,080	2,447,975
Conservation and Recreation	146,244	145,574	670	140,533	138,631	1,902
Economic Development and Assistance	73,103	62,158	10,945	650,062	463,995	186,067
Transportation	0	0	0	706,986	706,986	0
Miscellaneous	1,707,187	1,655,583	51,604	0	0	0
Capital Outlay	348,842	348,842	0	2,095,999	1,862,543	233,456
Debt Service:						
Principal Retirement	45,361	602,361	(557,000)	5,927	5,927	0
Interest and Fiscal Charges	20,639	19,040	1,599	1,905	1,905	0
Total Expenditures	11,769,952	11,959,365	(189,413)	42,790,606	38,400,772	4,389,834
Excess of Revenues Over (Under) Expenditures	1,177,048	1,736,793	559,745	(5,224,246)	(3,756,885)	1,467,361
<u>Other Financing Sources (Uses):</u>						
Proceeds of Notes	255,000	807,000	552,000	0	0	0
Advances-In	0	31,022	31,022	0	153,879	153,879
Advances-Out	0	(114,289)	(114,289)	0	(97,246)	(97,246)
Operating Transfers - In	356,505	28,500	(328,005)	1,264,352	1,880,356	616,004
Operating Transfers - Out	(2,242,804)	(2,205,679)	37,125	(96,611)	(96,361)	250
Total Other Financing Sources (Uses)	(1,631,299)	(1,453,446)	177,853	1,167,741	1,840,628	672,887
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(454,251)	283,347	737,598	(4,056,505)	(1,916,257)	2,140,248
Fund Balances at Beginning of Year	519,159	519,159	0	10,320,968	10,320,968	0
Prior Year Encumbrances Appropriated	97,347	97,347	0	857,555	857,555	0
Fund Balances (Deficit) at End of Year	\$162,255	\$899,853	\$737,598	\$7,122,018	\$9,262,266	\$2,140,248

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Revised Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$0	\$0	\$0	\$0	\$0	\$0	\$4,223,050	\$4,166,892	(\$56,158)
0	0	0	0	0	0	7,975,000	8,382,953	407,953
0	0	0	0	0	0	4,049,407	3,997,735	(51,672)
0	0	0	0	0	0	43,400	40,499	(2,901)
0	0	0	0	0	0	630,418	811,775	181,357
0	0	0	5,611,184	3,232,176	(2,379,008)	37,734,550	33,101,347	(4,633,203)
0	0	0	0	0	0	342,200	262,816	(79,384)
303,870	367,140	63,270	0	38,108	38,108	1,430,389	1,213,452	(216,937)
303,870	367,140	63,270	5,611,184	3,270,284	(2,340,900)	56,428,414	51,977,469	(4,450,945)
0	0	0	0	0	0	3,955,750	3,704,893	250,857
0	0	0	0	0	0	2,476,329	2,369,527	106,802
0	0	0	0	0	0	8,218,328	7,455,702	762,626
0	0	0	0	0	0	3,953,088	3,392,952	560,136
0	0	0	0	0	0	6,899,054	6,765,570	133,484
0	0	0	0	0	0	23,115,221	20,657,948	2,457,273
0	0	0	0	0	0	286,777	284,205	2,572
0	0	0	0	0	0	723,165	526,153	197,012
0	0	0	0	0	0	706,986	706,986	0
200	0	200	3,757	3,132	625	1,711,144	1,658,715	52,429
0	0	0	3,867,879	3,607,863	260,016	6,312,720	5,819,248	493,472
410,000	410,000	0	0	0	0	461,288	1,018,288	(557,000)
524,170	524,170	0	0	0	0	546,714	545,115	1,599
934,370	934,170	200	3,871,636	3,610,995	260,641	59,366,564	54,905,302	4,461,262
(630,500)	(567,030)	63,470	1,739,548	(340,711)	(2,080,259)	(2,938,150)	(2,927,833)	10,317
0	0	0	0	0	0	255,000	807,000	552,000
0	0	0	0	48,910	48,910	0	233,811	233,811
0	0	0	0	(22,276)	(22,276)	0	(233,811)	(233,811)
630,500	473,629	(156,871)	30,000	5,000	(25,000)	2,281,357	2,387,485	106,128
0	0	0	(133,242)	(133,242)	0	(2,472,657)	(2,435,282)	37,375
630,500	473,629	(156,871)	(103,242)	(101,608)	1,634	63,700	759,203	695,503
0	(93,401)	(93,401)	1,636,306	(442,319)	(2,078,625)	(2,874,450)	(2,168,630)	705,820
168,035	168,035	0	541,917	541,917	0	11,550,079	11,550,079	0
0	0	0	170,863	170,863	0	1,125,765	1,125,765	0
\$168,035	\$74,634	(\$93,401)	\$2,349,086	\$270,461	(\$2,078,625)	\$9,801,394	\$10,507,214	\$705,820

SCIOTO COUNTY, OHIO
 Combined Statement of Revenues, Expenses
 And Changes in Fund Equity
 Enterprise Fund and Discretely Presented Component Units
 For the Year Ended December 31, 2002

	Enterprise Fund	Component Units		<i>Totals (Memorandum Only) Reporting Entity</i>
	<i>Sewer</i>	<i>STAR Inc.</i>	<i>Airport Authority</i>	
<u>Operating Revenues:</u>				
Scioto County Board of Mental Retardation	\$0	\$78,358	\$0	\$78,358
Charges for Services	1,980,086	299,429	72,139	2,351,654
Other Operating Revenues	1,731	15,298	3,018	20,047
Total Operating Revenues	<u>1,981,817</u>	<u>393,085</u>	<u>75,157</u>	<u>2,450,059</u>
<u>Operating Expenses:</u>				
Personal Services	550,339	320,676	0	871,015
Fringe Benefits	228,899	24,941	0	253,840
Contractual Services	534,989	22,805	42,523	600,317
Materials and Supplies	114,693	13,962	6,146	134,801
Depreciation	406,973	4,731	0	411,704
Other	6,056	3,066	1,540	10,662
Total Operating Expenses	<u>1,841,949</u>	<u>390,181</u>	<u>50,209</u>	<u>2,282,339</u>
Operating Income	<u>139,868</u>	<u>2,904</u>	<u>24,948</u>	<u>167,720</u>
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	8,418	1,572	144	10,134
Interest and Fiscal Charges	(346,007)	(88)	(9,267)	(355,362)
Federal and State Capital Grants	124,131	0	389,043	513,174
Total Non-Operating Revenues (Expenses)	<u>(213,458)</u>	<u>1,484</u>	<u>379,920</u>	<u>167,946</u>
Net Income (Loss)	(73,590)	4,388	404,868	335,666
Retained Earnings At Beginning of Year - Restated (Note 3)	<u>1,820,364</u>	<u>253,371</u>	<u>58,587</u>	<u>2,132,322</u>
Retained Earnings At End of Year	1,746,774	257,759	463,455	2,467,988
Contributed Capital at Beginning and End of Year	<u>3,772,531</u>	<u>0</u>	<u>0</u>	<u>3,772,531</u>
Total Fund Equity at End of Year	<u>\$5,519,305</u>	<u>\$257,759</u>	<u>\$463,455</u>	<u>\$6,240,519</u>

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Enterprise Fund Type
For the Year Ended December 31, 2002

	Sewer		<i>Variance</i>
	<i>Revised</i>	<i>Actual</i>	<i>Favorable</i>
	<i>Budget</i>		<i>(Unfavorable)</i>
<u>Revenues:</u>			
Charges for Services	\$1,989,555	\$2,008,968	\$19,413
Interest	1,000	5,884	4,884
Proceeds of Loans	162,352	162,352	0
Proceeds of Notes	0	1,200,000	1,200,000
Federal and State Grants	98,665	125,636	26,971
Other Operating Revenues	80,150	1,453	(78,697)
Total Revenues	2,331,722	3,504,293	1,172,571
<u>Expenses:</u>			
Personal Services	529,632	529,632	0
Fringe Benefits	244,006	244,006	0
Contractual Services	492,333	503,215	(10,882)
Materials and Supplies	118,090	115,756	2,334
Capital Outlay	414,167	401,080	13,087
Other Expenses	6,452	6,452	0
Debt Service:			
Principal Retirement	193,774	193,774	0
Interest and Fiscal Charges	320,173	320,143	30
Total Expenses	2,318,627	2,314,058	4,569
Excess of Revenues Over Expenses			
Before Operating Transfers	13,095	1,190,235	1,177,140
Operating Transfers - In	628,537	0	(628,537)
Operating Transfers - Out	(654,452)	0	654,452
Excess of Revenues Over (Under)			
Expenses and Operating Transfers	(12,820)	1,190,235	1,203,055
Fund Equity Beginning of Year	323,474	323,474	0
Prior Year Encumbrances Appropriated	42,495	42,495	0
Fund Equity at End of Year	\$353,149	\$1,556,204	\$1,203,055

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
 Combined Statement of Cash Flows
 Enterprise Fund and Discretely Presented Component Units
 For the Year Ended December 31, 2002

	Enterprise Fund	Component Units		Totals (Memorandum Only)	
		Sewer	STAR Inc.	Airport Authority	Reporting Entity
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Charges for Services	\$1,942,564	\$296,765	\$69,998	\$2,309,327	
Cash Received from Other Operating Sources	1,731	15,298	3,018	20,047	
Cash Payments to Suppliers for Goods and Services	(612,513)	(41,997)	(94,589)	(749,099)	
Cash Payments to Employees for Services	(529,236)	(260,145)	0	(789,381)	
Cash Payments for Employee Benefits	(228,899)	0	0	(228,899)	
Cash Payments for Other Operating Expenses	(6,056)	0	(1,578)	(7,634)	
Net Cash Provided by (Used for) Operating Activities	567,591	9,921	(23,151)	554,361	
<u>Cash Flows from Noncapital Financing Activities:</u>					
Operating Grants Received	125,636	0	92,503	218,139	
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Proceeds of Notes and Loans	1,362,352	18,035	0	1,380,387	
Aquisition of Capital Assets	(373,991)	(28,114)	(52,173)	(454,278)	
Principal paid on Bonds, Notes and Loans	(193,774)	(334)	0	(194,108)	
Interest paid on Bonds, Notes and Loans	(319,472)	(88)	(9,267)	(328,827)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	475,115	(10,501)	(61,440)	403,174	
<u>Cash Flows from Investing Activities:</u>					
Interest Income	8,418	1,572	127	10,117	
Net Increase in Cash and Cash Equivalents	1,176,760	992	8,039	1,185,791	
Cash and Cash Equivalents at Beginning of Year	613,190	230,485	57,070	900,745	
Cash and Cash Equivalents at End of Year	\$1,789,950	\$231,477	\$65,109	\$2,086,536	
<u>Reconciliation of Operating Income to Net</u>					
<u>Cash Provided by (Used for) Operating Activities:</u>					
Operating Income	\$139,868	\$2,904	\$24,948	\$167,720	
<u>Adjustments to Reconcile Operating Income</u>					
<u>to Net Cash Provided by (Used for) Operating Activities</u>					
Depreciation	406,973	4,731	0	411,704	
<u>Changes in Assets and Liabilities:</u>					
Increase in Taxes Receivable	0	(3,523)	0	(3,523)	
Increase in Accounts Receivable	(37,522)	(2,664)	(2,141)	(42,327)	
Increase in Prepaid Items	(798)	0	0	(798)	
Decrease in Materials and Supplies Inventory	344	194	0	538	
Increase in Accounts Payable	40,800	1,165	177	42,142	
Decrease in Contracts Payable	(24,804)	0	(46,135)	(70,939)	
Increase in Compensated Absences Payable	12,440	3,288	0	15,728	
Increase in Intergovernmental Payable	28,043	4,401	0	32,444	
Increase (Decrease) in Accrued Wages	2,247	(575)	0	1,672	
Total Adjustments	427,723	7,017	(48,099)	386,641	
Net Cash Provided by (Used for) Operating Activities	\$567,591	\$9,921	(\$23,151)	\$554,361	

See Accompanying Notes to the General Purpose Financial Statements

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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 Scioto County Board of Mental Retardation and Developmental Disabilities and all departments and activities that are directly operated by the elected County officials. The following activities have been included in the County's General Purpose Financial Statements:

Scioto County Planning Commission
Scioto County Litter Control and Recycling
Access Scioto County
Scioto County Juvenile Home

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

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 Related Organizations. These organizations are presented in Notes 20, 21, and 22 to the General Purpose Financial Statements. These organizations are:

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Service Board
Ohio Valley Resource Conservation and Development Area, Inc.
Workforce Investment Board
Star Justice Center
Ohio Valley Regional Development Commission
Scioto County Community Action Organization
Southern Ohio Development Initiative
Portsmouth Metropolitan Housing Authority

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

*Joint Solid Waste District
County Risk Sharing Authority (CORSA)
County Commissioners' Association of Ohio Workers' Compensation Group Rating Program
Southern Ohio Port Authority*

Discretely Presented Component Units

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 levying of its taxes.

The component unit columns in the combined 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.

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 fiscal 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

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 debt 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 24 relates to the primary government. Information related to the discretely presented component units is presented in Note 26.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types: Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund - The General fund is the operating fund of the County and is used to account 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.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type: Proprietary funds are used to account for the County's ongoing activities which are similar to those often found in the private sector. The following is the County's proprietary fund type:

Enterprise Fund – The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user fees or charges; or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The County's only fiduciary funds are Agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups: To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all unmatured long-term obligations of the County that are not a specific liability of the proprietary fund.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a 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 an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) On an accrual basis, revenue from permissive sales tax is recognized in the period in which the revenue is earned. 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: sales tax (See Note 8), accounts, interest, federal and state subsidies and grants and state-levied locally shared taxes.

Deferred revenue arises 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables not collected within the available period have also been reported as deferred revenue.

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.

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$47,797 from the general fund to an agency fund. Budgetary information has not been presented for the discretely presented component units because they are not included in the entity for which the “appropriated budget” is adopted nor does the entity maintain separate budgetary records.

Advances-in and Advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget: A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources: The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the amended official certificate of estimated resources in force at the time final appropriations were passed by the Commissioners.

Appropriations: A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and functions within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeted Level of Expenditures: Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Appropriations are made to fund, department and function level (i.e., General Fund – Commissioners).

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and is not reappropriated.

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. Each fund type's share of the pool is presented on the balance sheet in the account "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately 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 on the combined balance sheet as "Restricted Assets: Cash with Trustee".

During the year, investments were limited to repurchase agreements and certificates of deposit which are reported at cost.

Interest is distributed to the General Fund, Special Revenue Funds, Debt Service Funds, and the Enterprise Fund. Interest earned during 2002 amounted to \$243,760 for the General Fund, which includes \$225,202 assigned from other County funds.

For purposes of the Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents.

Inventory of Supplies

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, 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.

Restricted Assets

Restricted assets are those limited to current debt payments and for the replacement and improvement of fixed assets originally acquired with bond proceeds. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses.

Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables".

Fixed Assets and Depreciation

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The County has established \$5,000 as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund Fixed Assets

Fixed assets associated with the enterprise fund are accounted for in this fund. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise fund are depreciated on the following basis:

<u>Descriptions</u>	<u>Estimated Life</u>
Building and Building Improvements	25-50 years
Machinery, Equipment, and Fixtures	5-15 years
Vehicles	3-5 years
Sewer Lines	70 years
Sewer Treatment Plants and Buildings	40 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. 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 benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In the Proprietary fund, the entire amount of unpaid compensated absences is reported as a fund liability.

Accrued and Long-Term Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds, capital leases and long-term loans and notes are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserves of Fund Equity

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, expendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, future debt service, and loans receivable. Retained earnings reserves have been established for future debt service and replacement and improvements.

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers. All other interfund transfers are reported as operating transfers.

Contributed Capital

Prior to 2001, contributed capital represented resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. Because the County had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1990, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after 2000 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.

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.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1). The "Totals" column on statements which do not include a component unit have no additional caption.

NOTE 3 – PRIOR YEAR RESTATEMENTS

For 2002, one fund was re-classified from an agency fund to a special revenue fund, a miscalculation was discovered in the determination of enterprise fund depreciation, and other adjustments caused the following changes to the prior year's ending Fund Balance and Retained Earnings:

Fund Type	Balance at 12/31/01	Restatement	Restated Balance at 12/31/01
General	\$1,575,434	\$988	\$1,576,422
Special Revenue	15,279,987	(661,201)	14,618,786
Enterprise	2,195,338	(374,974)	1,820,364

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

Accountability

The Dog and Kennel, Victims of Crime, and Highway Safety Traffic Enforcement Special Revenue Funds and the STAR Community Justice Center Construction and Burkes Point Project Capital Projects funds have deficit fund balances of \$1,512, \$185, \$972, \$536,915 and \$26,010, respectively, at December 31, 2002. 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 operating transfers when cash is required, not when accruals occur.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

Compliance

The following fund had appropriations in excess of estimated revenues and available fund balances for the year ended December 31, 2002:

<u>Fund Type / Name</u>	<u>Estimated Revenues and Available Fund Balances</u>	<u>Appropriations</u>	<u>Excess</u>
<i>Special Revenue Fund:</i>			
Southern Ohio Response 01	\$14,432	\$32,998	(\$18,566)

The following accounts had expenditures plus encumbrances in excess of appropriations:

<u>Fund Name / Type</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Excess</u>
<i>General Fund:</i>			
Debt Service:			
Principal Retirement	\$45,361	\$602,361	(\$557,000)
<i>Special Revenue Fund:</i>			
Regional Planning Commission			
Economic Development and Assistance			
Other Expenditures	0	101,437	(101,437)
<i>Enterprise Fund:</i>			
Contractual Services	492,333	503,215	(10,882)

Federal Compliance

The following are requirements of Community Development Block Grants with which the County did not comply:

According to the **State of Ohio Department of Development, Office of Housing and Community Partnership Management Rules and Regulations Handbook, Section (A)(3)(f)**, the grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule, which states that fund draw downs should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. During 2002, the County did not expend the funds drawn down within the required fifteen days.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE (Continued)

24 C.F.R. Part 570.206(e) and OMB Circular A-87 state that program administration indirect costs of overall program management coordination is eligible if indirect costs are charged using an accepted cost allocation plan. Compliance requirements for the recovery of indirect costs state that organizations must prepare cost allocations plans or indirect cost rate proposals in accordance with the guidelines provided in the circulars. The County prepared neither a cost allocation plan nor an indirect cost rate proposal for the recovery of indirect costs. Indirect costs were directly charged to the grants from which the necessary funds were available.

24 C.F.R. Part 24.105, 24.110, and 24.510 states that contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. The non-Federal entity may rely upon the certification unless it knows that the certification is erroneous.

The County did not obtain certifications for contracts exceeding \$100,000.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings 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, appropriations, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) Enterprise Fund are presented on the budgetary basis 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure in proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Advances - In and Advances - Out are operating transactions (budget) as opposed to a balance sheet transactions (GAAP).

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

7. 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 governmental funds and proprietary funds are as follows:

Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$379,088	(\$1,682,491)	(\$91,496)	(\$1,319,687)
Increases (decreases) Due To:				
Revenue Accruals	20,038	(105,861)	(1,905)	879,047
Expenditure Accruals	365,290	647,436	0	(28,313)
Encumbrances	(328,829)	(819,665)	0	0
Note Proceeds	557,000	0	0	0
Principal Payments	(597,000)	0	0	0
Unrecorded Cash	18,824	(12,309)	0	0
Transfers	(47,797)	0	0	0
Advances	(83,267)	56,633	0	26,634
Budget Basis	\$283,347	(\$1,916,257)	(\$93,401)	(\$442,319)

Net Loss/Excess of Revenues Over Expenses and Operating Transfers Proprietary Fund Type	
	Enterprise
Net Loss	(\$73,590)
Increases (decreases) Due To:	
Revenue Accruals	29,144
Expense Accruals	(652,682)
Proceeds of Loans	162,352
Proceeds of Bonds	1,200,000
Principal Payments	(193,774)
Depreciation Expense	406,973
Acquisition of Capital Assets	362,827
Unrecorded Cash	(1,569)
Encumbrances	(49,446)
Budget Basis Excess	\$1,190,235

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute 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.

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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

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

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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.

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 \$137,086 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 \$13,742,279 and the bank balance was \$20,162,492. Of the bank balance, \$548,684 was covered by federal depository insurance. The remainder of \$19,613,808 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the County's name and all 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.

Investments: Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.18, Ohio Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counter party is a designated depository of the County for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the County Treasurer withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The County does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements" requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held in the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the County's name.

	Category 3	Carrying and Fair Value
Repurchase Agreements	\$4,260,180	\$4,260,180

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the general purpose 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 the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$18,139,545	\$0
Cash on Hand	(137,086)	0
Repurchase Agreements	(4,260,180)	4,260,180
GASB Statement No. 3	\$13,742,279	\$4,260,180

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility property) located in the County. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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 itself its share of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in the Undivided General Tax Agency Fund. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through the Undivided General Tax Agency Fund. The amount of the County's tax collections which flow through the agency fund is reported as "Taxes Receivable" on the combined balance sheet. Taxes receivable for individual funds have also been recorded as "Taxes Receivable".

The full tax rate for all County operations for the year ended December 31, 2002, was \$7.98 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Real Property:	
Agricultural/Residential	\$490,611,520
Commercial/Industrial/Mineral	119,277,750
Public Utility Real	7,297,730
Tangible Personal Property:	
General	83,141,720
Public Utility Real	69,127,900
Total Assessed Value	<u><u>\$769,456,620</u></u>

Property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 8 - PERMISSIVE SALES TAX

In accordance with Sections 5739.02 and 5741.02 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.

Proceeds of the permissive sales tax are credited to the General Fund. Amounts that have been collected by the State and are to be received within the available period are accrued as revenue. Permissive sales tax revenue for 2002 amounted to \$8,233,430.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services), special assessments, interfund activity, interest on investments, loans and intergovernmental receivables arising from grants and shared revenues. All receivables are considered fully collectible.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 9 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables is as follows:

Fund Type / Fund	Amount
General Fund:	
Homestead, Rollback, Exemption	\$94,587
Local Government	501,694
Local Government Revenue Assistance	149,798
Court Services, Fines, and Forfeitures	96,215
Total General Fund	<u>842,294</u>
Special Revenue Funds:	
Child Support Enforcement Agency	41,096
Law Enforcement Sheriff	4,849
Recorder's Special	7,024
Juvenile Detention Center	77,226
Special Prosecution - Southern Ohio Correctional Facility	9,833
Public Assistance	13,988
Recycling and Litter Prevention	10,838
Motor Vehicle and Gas Tax	2,029,228
Felony Delinquent Care and Custody	37,091
Board of MRDD	402,395
TB Levy	22,435
Reach	197,986
Children Services	732,265
Jail Diversion Misdemeanor	25,872
Coordinated Transportation Program	25,167
State Community Development 99	427,000
CHIP Program 99	450,000
Intensive Supervision Probation	55,385
STAR Community Center Operation	939,721
Adult Basic Literacy Education	10,000
Alternative to Street Crime	24,676
Residential Substance Abuse	162,601
Victims of Crime	35,394
Community Gun Violence - Prosecution	1,504
Community Prosecutor Program	1,093
Dare Grant	9,733
Sheriff Policing Rotary	49,847
Total Special Revenue Funds	<u>\$5,804,247</u>

(Continued)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 9 - RECEIVABLES (Continued)

Fund Type / Fund	Amount
Capital Projects Funds:	
STAR Community Justice Center Construction	\$580,334
Agency Funds:	
ADAMHS Board	2,656,771
Home Health Services	1,300
Undivided Personal Property Taxes	223,379
Motor Vehicle License	468,631
Township Gasoline	384,923
Township Highway	126,442
Local Government	1,316,288
Local Government Revenue Assistance	393,024
Public Library	1,801,932
Permissive Township Tax	3,747
Municipal Court	5,985
Total Agency Funds	<u>7,382,422</u>
Total Intergovernmental Receivables	<u>\$14,609,297</u>

NOTE 10 - FIXED ASSETS

General Fixed Assets

Changes in general fixed assets during 2002 were as follows:

Asset Category	Balance for the Year Ended 12/31/2001	Additions	Deletions	Balance for the Year Ended 12/31/2002
Land and Improvements	\$1,655,320	\$0	\$0	\$1,655,320
Building and Building Improvements	21,380,124	1,748,999	0	23,129,123
Machinery, Equipment, and Fixtures	3,636,991	278,234	90,104	3,825,121
Machinery, Equipment, and Fixtures - Leased	103,769	6,270	10,641	99,398
Vehicles	3,685,355	188,099	39,231	3,834,223
Vehicles - Leased	314,147	326,180	0	640,327
Construction in Progress	1,944,529	1,246,518	1,445,033	1,746,014
Total General Fixed Assets	<u>\$32,720,235</u>	<u>\$3,794,300</u>	<u>\$1,585,009</u>	<u>\$34,929,526</u>

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 10 - FIXED ASSETS (Continued)

Fund Fixed Assets

All fund fixed assets relate to the sewer enterprise fund. The balances as of December 31, 2002, were as follows:

Asset Category	Balance as of 12/31/2002
Land and Improvements	\$79,722
Building and Building Improvements	2,603,817
Machinery, Equipment, and Fixtures	1,793,186
Vehicles	193,294
Sewer Lines	11,394,335
Construction in Progress	163,841
Total	16,228,195
Less: Accumulated Depreciation	(4,698,379)
Net Fund Fixed Assets	\$11,529,816

NOTE 11 – 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, 2002, was \$1,350,319. Included in the loans receivable balance were loans issued by the Department of Human Services in the amount of \$455,093 to individuals who need assistance in obtaining employment and in obtaining the necessities to get to work or maintain employment.

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. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, auto, and crime insurance, the County has addressed these various types of risk.

CORSA, a non-profit corporation sponsored by the County Commissioners Association of Ohio, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. CORSA was established May 12, 1987, and has grown to fifty-seven members.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 12 - RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Property

Blanket; risks of direct physical loss or damage to property
(\$100,000,000 Annual Aggregate pool limit for flood and earthquake)
Property damage is on a replacement cost basis.

Liability

Automobile Liability	\$2,000,000	each occurrence
Uninsured Underinsured Motorists	250,000	each occurrence
General Liability	2,000,000	each occurrence
Stop Gap Liability	1,000,000	each occurrence
Law Enforcement Liability	2,000,000	each occurrence
Public Officials Liability	2,000,000	each occurrence
	2,000,000	annual aggregate

Crime

Employee Dishonesty/Faithful Performance	1,000,000	each loss
Money and Securities (inside)	1,000,000	each loss
Money and Securities (outside)	1,000,000	each loss
Money Orders and Counterfeit Currency	1,000,000	each loss
Depositor's Forgery	1,000,000	each loss

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in coverage from last year.

Workers' compensation benefits are provided through the Ohio Bureau of Workers' Compensation. For 2002, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation group purchasing pool (See Note 21). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe 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 counties in the CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate.

In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 12 - RISK MANAGEMENT (Continued)

The County may withdraw from the CCAO 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 CCAO prior to withdrawal, and any participant leaving the CCAO allows representatives of the CCAO to access loss experience for three years following the last year of participation.

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

All full-time employees, other than teachers, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2002 employer pension contribution rate for the County was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Also, the law enforcement contribution rate for the County was 11.70 percent of covered payroll, a decrease from 12.40 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$2,014,521, \$2,038,748, and \$1,970,223, respectively; 81 percent has been contributed for 2002 with the remainder being reported as a fund liability and within the general long-term obligations account group.

State Teachers Retirement System

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), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the year ended December 31, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000 were \$80,035, \$94,517, and \$120,003, respectively; 88 percent has been contributed for calendar year 2002 with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group.

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. Health care coverage for disability recipients and primary survivor recipients is available. 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 OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent 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, 2001, 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 4.00 percent annually.

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.

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$1,142,954. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2002, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

State Teachers Retirement System

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

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS 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. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$37,911 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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 of 480 hours, depending on length of service, to employees who retire. As of December 31, 2002, the liability for compensated absences was \$1,974,200 for the County.

Insurance Benefits

Health insurance was provided by a private carrier, Medical Mutual of Ohio for the year. Also, dental insurance and vision insurance was provided by Guardian and Vision Plus, respectively.

NOTE 16 – LEASES – LESSEE DISCLOSURE

During the year 2002, and in prior years, the County entered into capitalized leases for vehicles, and equipment, furniture and fixtures. Each lease meets 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 debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 16 – LEASES – LESSEE DISCLOSURE (Continued)

General fixed assets consisting of vehicles, and equipment, furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$739,725. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in 2002 totaled \$156,925 in the General Fund and \$69,904 in the Special Revenue Funds.

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, 2002.

Year Ending December 31,	GLTDAG
2003	\$196,604
2004	148,576
2005	14,472
2006	7,025
2007	377
Total	367,054
Less: Amount Representing Interest	(29,069)
Present Value of Net Minimum Lease Payments	\$337,985

The County leases buildings, vehicles, and equipment, furniture and fixtures under noncancelable operating leases. Operating lease payments are reported as function expenditures in both the combined financial statements for the governmental funds and on the budgetary statements. Total operating lease payments in 2002 totaled \$75,247 in the general fund and \$40,912 in the special revenue funds.

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

Year Ending December 31,	Amount
2003	\$104,512
2004	100,050
2005	14,302
2006	10,212
2007	5,106
Total	\$234,182

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding at 12/31/01	Additions	Deletions	Principal Outstanding at 12/31/02
<u>Enterprise Fund Obligations</u>				
<u>General Obligation Bonds</u>				
Franklin Furnace 1997 4.50% - \$846,000	\$812,184	\$0	\$9,426	\$802,758
Sewer System Refunding Bonds West Portsmouth Sewer 1999 4.50% - \$2,880,000	2,555,000	0	115,000	2,440,000
Total Enterprise General Obligation Bonds	3,367,184	0	124,426	3,242,758
<u>Mortgage Revenue Bonds</u>				
1970 5.375% - \$615,000	270,000	0	25,000	245,000
<u>Farmer's Home Administration (FHA) Bonds</u>				
FHA Bonds - West Portsmouth Improvement 1993 5.00% - \$825,000	759,800	0	10,100	749,700
FHA Bonds - Lucasville Phase II 1995 4.50% - \$650,000	609,220	0	7,900	601,320
FHA Bonds - Lucasville Phase III 1996 3.86% - \$842,500	799,436	0	9,809	789,627
FHA Bonds - West Portsmouth Phase VII 1999 4.50% - \$825,000	809,240	0	8,420	800,820
FHA Bonds - Lucasville Phase IV 2001 4.75% - \$347,940	347,940	0	4,060	343,880
Total FHA Bonds	3,325,636	0	40,289	3,285,347
<u>OPWC Loan</u>				
2002 0.00% - \$162,352	0	162,352	4,059	158,293
Total Enterprise Fund Obligations	\$6,962,820	\$162,352	\$193,774	\$6,931,398

(Continued)

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

	Principal Outstanding at 12/31/01	Additions	Deletions	Principal Outstanding at 12/31/02
<u>General Long-Term Obligations</u>				
<u>General Obligation Bonds</u>				
Human Services				
1994 4.95% - \$3,610,000	\$2,350,000	\$0	\$190,000	\$2,160,000
Airport Facilities Bond				
2001 7.00% - \$55,000	55,000	0	5,361	49,639
Shelton Industries				
1999 8.05% - \$2,870,000	2,790,000	0	45,000	2,745,000
Various Purpose Bonds				
2000 5.7% - \$1,940,000	1,825,000	0	120,000	1,705,000
Juvenile Detention Center				
2000 5.80% - \$1,820,000	1,765,000	0	55,000	1,710,000
Total General Obligation Bonds	8,785,000	0	415,361	8,369,639
<u>Other Long-Term Obligations</u>				
Human Services Building Acquisition				
Bond Anticipation Note 2002 2.50% - \$250,000	0	250,000	0	250,000
MRDD Loan Payable 1986 3.00% - \$150,000	78,612	0	5,927	72,685
Capital Leases Payable	232,365	332,449	226,829	337,985
Compensated Absences Payable	1,711,640	86,138	0	1,797,778
Total Other Long-Term Obligations	2,022,617	668,587	232,756	2,458,448
Total General Long-Term Obligations	\$10,807,617	\$668,587	\$648,117	\$10,828,087

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and 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 with equal amounts of principal maturing each year. The Human Services Bond is being paid with monies received from the County's Human Services department. 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.

Enterprise Fund General Obligation Bonds

On June 21, 1997, the County issued General Obligation Bonds supported by Enterprise 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 Enterprise 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, 2002 was \$169,750 and is reported as a reduction in the liability. As a result, the General Obligation Bonds supported by Enterprise Revenues outstanding at December 31, 2002 has been reduced by the unamortized loss of \$169,750 within the financial statements. The amount presented in the footnotes is the face value of the debt less the payments made to date. The total amount of the refunded bonds was completely paid as of year end.

Mortgage Revenue Bonds

In 1970, Scioto County issued \$615,000 in mortgage revenue bonds for the purpose of replacing sewer lines. The enterprise 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, redemptions 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 for with revenues from the Sewer Fund.

Farmer's Home Administration (FHA) Bonds

The Enterprise Fund Farmer's Home Administration (FHA) General Obligation Bonds are issued for the purpose of replacing sewer lines. The Enterprise Fund Obligation 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 with equal amounts of principal maturing each year and are paid with revenues from the operation of the sewer system.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Ohio Public Works Commission Loan

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.

Human Services Building Acquisition Bond Anticipation Note

During 2002, the County issued a bond anticipation note in anticipation of the issuance of general obligations bonds for the acquisition and renovation of capital facilities to be used by the State of Ohio Department of Human Services. The note matured on January 29, 2003 and was re-issued for another one year term to be repaid by January 29, 2004.

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 will be retired from the Board of Mental Retardation and Developmental Disabilities special revenue fund in January 2013.

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 are to be 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 is the full faith and credit or taxing power of the County pledged to make repayment. The balance outstanding as of December 31, 2002, is \$1,830,000.

During 2002, the County issued revenue bonds in the aggregate principal amount of \$1,330,000 for The Counseling Center, Inc. The proceeds are to be 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 entire amount is still outstanding as of year end.

Capital leases will be paid from the general fund and special revenue funds. Compensated absences will be paid from the funds from which the employees' salaries are paid.

The County's total legal debt margin was \$13,938,579 at December 31, 2002 with an unvoted debt margin of \$3,896,729 at December 31, 2002.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

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

	General Obligation Bonds for Governmental Purposes	General Obligation Bonds Supported by Enterprise Revenues	Revenue Bonds Supported by Enterprise Revenues	FHA Bonds Supported by Enterprise Revenues	OPWC Loan Supported by Enterprise Revenues	CFSC Loan	Human Services Bond Anticipation Note	Totals
2003	\$938,216	\$274,149	\$37,497	\$194,610	\$8,118	\$8,544	\$256,250	\$1,717,384
2004	937,036	274,589	36,153	194,580	8,118	8,544	0	1,459,020
2005	939,406	274,715	39,675	194,621	8,118	8,544	0	1,465,079
2006	940,358	274,514	38,062	194,637	8,118	8,544	0	1,464,233
2007	949,273	273,710	36,450	194,623	8,118	8,544	0	1,470,718
2008-2012	4,101,776	1,367,492	113,466	973,090	40,590	34,176	0	6,630,590
2013-2017	2,423,550	1,369,814	0	972,941	40,590	9,256	0	4,816,151
2018-2022	1,981,575	229,872	0	973,088	36,523	0	0	3,221,058
2023-2027	791,600	229,871	0	972,971	0	0	0	1,994,442
2028-2032	0	229,871	0	972,863	0	0	0	1,202,734
2033-2037	0	229,871	0	643,687	0	0	0	873,558
2038-2040	0	0	0	89,658	0	0	0	89,658
Totals	14,002,790	5,028,468	301,303	6,571,369	158,293	86,152	256,250	26,404,625
Less: Amount Representing Interest	(5,633,151)	(1,785,710)	(56,303)	(3,286,022)	0	(13,467)	(6,250)	(10,780,903)
Total Principal	\$8,369,639	\$3,242,758	\$245,000	\$3,285,347	\$158,293	\$72,685	\$250,000	\$15,623,722

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 18 - SHORT-TERM OBLIGATIONS

The County had the following general obligation bond anticipation notes outstanding at December 31, 2002.

Type/Issues	Balance at 12/31/01	Additions	Deletions	Balance at 12/31/02
<i>General Fund</i>				
Airport Hanger Bond Anticipation Notes				
November 19, 2002 2.36%	\$0	\$190,000	\$0	\$190,000
Airport Hanger Bond Anticipation Notes				
November 20, 2001 2.65%	205,000	0	205,000	0
Commercial Property Acquisition Bond Anticipation Notes				
September 26, 2002 2.00%	0	367,000	0	367,000
Commercial Property Acquisition Bond Anticipation Notes				
September 27, 2001 2.50%	392,000	0	392,000	0
Total General Fund	597,000	557,000	597,000	557,000
<i>Enterprise Fund</i>				
Ohio Wastewater System Improvement Bond Anticipation Notes				
July 11, 2002 2.28%	0	1,200,000	0	1,200,000
Total Bond Anticipation Note Obligations	\$597,000	\$1,757,000	\$597,000	\$1,757,000

Tax and Bond Anticipation Notes

The County had three outstanding short-term notes at December 31, 2002, the Airport Hanger Bond Anticipation Notes, the Commercial Property Acquisition Bond Anticipation Notes, and the Ohio Wastewater System Improvement Bond Anticipation Notes. The notes were issued for one year. The proceeds from the note issues were used for airport improvements, to retire existing debt, for building acquisition and renovations, and to finance renovations to the Wheelersburg Wastewater Treatment Plant. The Airport Hanger Bond Anticipation Note will be repaid by the Airport. The Commercial Property Acquisition Bond Anticipation Note will be repaid by the Southern Ohio Port Authority. The Ohio Wastewater System Improvement Bond Anticipation Note will be repaid from operating revenues of the sewer fund.

The Airport Hanger Bond Anticipation Note was retired during 2002 in the amount of \$205,000 and an Airport Hanger Bond Anticipation Note was issued in its place in the amount of \$190,000.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 18 - SHORT-TERM OBLIGATIONS (Continued)

The Commercial Property Acquisition Bond Anticipation Note was retired during 2002 in the amount of \$392,000 and the Commercial Property Acquisition Bond Anticipation Note was issued in its place in the amount of \$367,000.

NOTE 19 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$93,267	\$0	\$263	\$15,925
<i>Special Revenue Funds:</i>				
Child Support Enforcement Agency	0	0	0	105,049
Public Assistance	0	0	120,974	78,916
Board of MRDD	0	0	0	8,975
Children Services	0	0	4,667	0
Coordinated Transportation	0	24,000	66,713	0
State Community Development	0	20,000	0	0
Highway Safety Traffic Enforcement	0	22,633	0	0
STAR Community Justice Center - Operations	10,500	0	0	0
Treatment - Alternative to Street Crime	0	10,500	0	0
Sheriff Policing Rotary	0	0	7,536	0
Total Special Revenue Funds	<u>\$10,500</u>	<u>\$77,133</u>	<u>\$199,890</u>	<u>\$192,940</u>
<i>Capital Projects Funds:</i>				
STAR Community Justice Center	0	0	8,975	0
Burke's Point Project	0	26,634	0	0
Total Capital Projects Funds	<u>0</u>	<u>26,634</u>	<u>8,975</u>	<u>0</u>
<i>Agency Fund:</i>				
Court Agency Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>263</u>
Total All Funds	<u><u>\$103,767</u></u>	<u><u>\$103,767</u></u>	<u><u>\$209,128</u></u>	<u><u>\$209,128</u></u>

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS / JOINT VENTURE

Adams, Lawrence, Scioto Alcohol, Drug Addiction, and Mental Health Services Board

Scioto County is a member of the three county Alcohol, Drug Addiction, and Mental Health Services Board (ADAMHS Board), which is a jointly governed organization between Adams, Lawrence, and Scioto Counties. The purpose of the ADAMHS 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 2002.

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 2002; 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 Advisory Board received no contributions from the County during 2002.

Star Justice Center

The Star Justice Center is a jointly governed organization that is governed by a Board comprising of eleven Court of Common Pleas judges. The Star Justice Center serves as a rehabilitation center serving Scioto, Athens, Fairfield, Gallia, Hocking, Jackson, Lawrence, Meigs, Morgan, Perry, Pike, Ross, Vinton and Washington Counties. Scioto County serves as the fiscal agent for the Star Justice Center.

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

Ohio Valley Regional Development Commission

The Ohio Valley Regional Development Commission is a jointly governed organization that serves a twelve county economic development planning district in southern Ohio. The commission was formed to influence favorably 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 2002, the County made no payments to the CAO.

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 2002, the County received \$59,625 for a GIS mapping project.

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 2002.

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 2002.

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

The County has an investment that is explicit and measurable in that the joint venture agreement stipulates that the participants have a future claim to the net resources of the Solid Waste District upon its dissolution. The agreement also sets forth the method to determine each members' proportionate share. The Solid Waste District is accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit or burden on the members in the future.

The County's investment interest in the Solid Waste District was \$11,193 as of December 31, 2002. Complete financial statements can be obtained from the Solid Waste District located at Veterans Square, 3rd Floor, Ironton, OH 45638.

NOTE 21 – RISK SHARING POOL / GROUP PURCHASING POOL

County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a risk sharing pool among fifty-seven 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 the Corporation 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.

County Commissioners' Association of Ohio Workers' Compensation Group Rating Program

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program 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 General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 22 – RELATED ORGANIZATIONS

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 23 – CONTRACTUAL COMMITMENTS

As of December 31, 2002, the County had the following contractual purchase commitments for numerous projects.

<u>Project/Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at December 31, 2002</u>
<i>Burkes Point Project Boat Launch</i> Woolpert, LLP	\$26,310	\$22,485	\$3,825
<i>GIS Mapping</i> Woolpert, LLP	1,065,175	961,280	103,895
<i>Wheelersburg Wastewater Treatment Plant Improvement</i> Woolpert, LLP	267,500	141,364	126,136
<i>Eden Park Sanitary Sewer</i> Woolpert, LLP	17,200	12,575	4,625
<i>Rigrish Sanitary Sewer Extension</i> Woolpert, LLP	182,700	9,902	172,798
<i>STAR Community Justice Center</i> J & H Structural Erectors M L Architects and Planners	1,518,902 192,262	1,512,864 187,590	6,038 4,672
<i>Storage Building</i> Stevens Construction	<u>92,300</u>	<u>23,075</u>	<u>69,225</u>
Totals	<u><u>\$3,362,349</u></u>	<u><u>\$2,871,135</u></u>	<u><u>\$491,214</u></u>

NOTE 24 - CONTINGENT LIABILITIES

Litigation

The County is party to legal proceedings. However, no liability has been accrued on the balance sheet 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.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 24 - CONTINGENT LIABILITIES (Continued)

Federal and State Grants

For the period January 1, 2002, to December 31, 2002, the County received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County believes such disallowance, if any, would be immaterial.

NOTE 25 – RELATED PARTY TRANSACTIONS

STAR, Inc., a discretely presented component unit of Scioto County, received contributions from the County for facilities, salaries, and fringe benefits. These contributions are reflected as operating revenues and expenses at cost or fair market value as applicable, in the financial statements of the STAR, Inc. In 2002, these contributions were \$78,358.

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS

STAR Inc.

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

Measurement Focus and Basis of Accounting - STAR, Inc. uses the governmental model of *GASB Statement No. 29, "The Use of Not-for Profit Accounting and Financial Reporting Principles by Governmental Entities"* for non-profit corporations. This component unit 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 STAR, Inc. deposits was \$215,217 and the bank balance was \$219,298. Of the bank balance, \$98,166 was covered by federal deposit insurance. The remainder of \$121,132 was considered insured through Securities Investor Protection Corporation (SIPC) for which the securities are held by the broker.

At year-end, STAR, Inc. had \$16,260 in undeposited cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents in Segregated Accounts". This amount is uninsured and uncollateralized.

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

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 26 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Fixed Assets - A summary of STAR, Inc. fixed assets at December 31, 2002 follows:

Machinery and Equipment	\$155,419
Less: Accumulated Depreciation	<u>(122,420)</u>
Total Fixed Assets (net)	<u><u>\$32,999</u></u>

Fixed 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 General Purpose Financial Statements, the following disclosures are made on behalf of the Scioto County Airport Authority:

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

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

Deposits and Investments – At year-end, the carrying amount of the Scioto County Airport Authority deposits was \$65,109 and the bank balance was \$65,287. The entire amount of the bank balance was covered by federal deposit insurance.

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.

Fixed Assets - A summary of STAR, Inc. fixed assets at December 31, 2002 follows:

Construction in Progress	<u>\$52,173</u>
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NOTE 27 – SUBSEQUENT EVENT

On January 29, 2003, Scioto County re-issued the Human Services Building Acquisition Bond Anticipation Note for the amount of \$240,000 with an interest rate of 2.00%. The proceeds from the note are being used for the acquisition and renovation of capital facilities to be used by the State of Ohio Department of Humans Services. The note will mature on January 29, 2004.

On June 24, 2003 the County reissued the Ohio Wastewater System Improvement Bond Anticipation Notes for the amount of \$1,200,000 at a rate of 1.39%. The proceeds are to be used for renovations to the Wheelersburg Wastewater Treatment Plant. The Bond Anticipation Notes will mature January 28, 2004.

SCIOTO COUNTY, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 27 – SUBSEQUENT EVENT (Continued)

On July 22, 2003 the County reissued the Commercial Property Acquisition Bond Anticipation Notes in the amount of \$342,000 at a rate of 1.5%. The proceeds are to be used for building acquisitions and renovations. This note will mature on September 23, 2004.

Effective July 1, 2003, the Scioto County Board of Commissioners will no longer act as the fiscal agent for the Judicial Corrections Board and the board will act independently in that capacity with the assistance of the Scioto County Auditor.

SCIOTO COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

FEDERAL GRANTOR	Pass	Federal	
<i>Pass Through Grantor</i>	Through	CFDA	
Program Title	Entity Number	Number	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through Ohio Department of Education:</i>			
National School Lunch Program	N/A	10.555	\$ 20,947
<i>Direct from the United States Department of Agriculture:</i>			
Waste Water Disposal Systems for Rural Communities	N/A	10.760	<u>20,587</u>
Total United States Department of Agriculture			41,534
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grant	B-F-01-068-1	14.228	428,000
	B-F-00-068-1	14.228	<u>137,297</u>
Total Community Development Block Grant			565,297
<i>Direct from the United States Department of Housing and Urban Development:</i>			
HUD Disaster Recovery Initiative		14.218	<u>81,443</u>
Total United States Department of Housing and Urban Development			646,740
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Youth Services:</i>			
Juvenile Accountability Incentive Block Grant	2000-JB-001-A027	16.523	26,628
	2001-JB-001-A027	16.523	32,658
	2001-JB-001-A172	16.523	65,775
	2000-JB-001-A204	16.523	<u>8,293</u>
Total Juvenile Accountability Incentive Block Grant			<u>133,354</u>
Total Passed through the Ohio Department of Youth Services			133,354
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Byrne Memorial Grant		16.579	
Treatment Against Street Crime (TASC)	2001-DG-C01-7224		97,927
Residential Substance Abuse Treatment (RSAT)	1998-RS-SAT-116A		<u>45</u>
Total Byrne Memorial Grant			97,972
Violence Against Women Formula Grant	1998-WF-VA5-8499	16.589	87
	1998-WR-RDV-8499A	16.589	<u>21,136</u>
Total Violence Against Women Formula Grant			21,223
Juvenile Justice and Delinquent Prevention Grant	N/A	16.540	153,437
Local Law Enforcement Block Grants Program	1999-LB-VX-8109	16.592	<u>31,934</u>
Total Passed Through the Governor's Office of Criminal Justice Services			304,566

SCIOTO COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

FEDERAL GRANTOR	Pass	Federal	
<i>Pass Through Grantor</i>	Through	CFDA	
Program Title	Entity Number	Number	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE (Continued)			
<i>Passed through the Office of the Ohio Attorney General:</i>			
Crime Victim Assistance	2002VAGENE398T	16.575	13,438
	2002VAGENE398	16.575	<u>38,808</u>
Total Crime Victim Assistance			<u>52,246</u>
Total Passed Through the Office of the Ohio Attorney General			52,246
<i>Passed through Ohio Department of Public Safety:</i>			
State Domestic Preparedness Equipment Grant	2002-TE-CX-0049	16.007	50,385
	Grant J 529	16.007	<u>42,401</u>
Total State Domestic Preparedness Equipment Grant			<u>92,786</u>
Total Passed through Ohio Department of Public Safety			92,786
<i>Direct from the United States Department of Justice:</i>			
Bulletproof Vest Partnership Act Grant	N/A	16.607	1,950
<i>Community Prosecution and Project Safe Neighborhoods:</i>			
Community Prosecution Grant	N/A	16.609	56,053
Community Gun Control/Violence Grant	N/A	16.609	<u>12,035</u>
Total Community Prosecution and Project Safe Neighborhoods			<u>68,088</u>
Total Direct from the United States Department of Justice			<u>70,038</u>
Total United States Department of Justice			652,990
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Public Safety:</i>			
Rural Transit Program	RPT-4073-021-021	20.509	131,614
State & Community Highway Safety	1556	20.600	<u>27,922</u>
Total Passed Through Ohio Department of Public Safety			159,536
<i>Passed Through Ohio Emergency Management Agency:</i>			
Hazardous Material Emergency Planning Grant 9th Yr Planning	N/A	20.703	1,778
Hazardous Material Emergency Planning Grant 8th Yr Planning		20.703	1,867
Hazardous Material Emergency Planning Grant 9th Yr Planning		20.703	<u>1,124</u>
Total Hazardous Material Emergency Planning Program			<u>4,769</u>
Total Passed Through Ohio Emergency Management Agency			<u>4,769</u>
Total United States Department of Transportation			164,305
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Passed through Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grant	EMC-2002-GR-7006	83.552	23,290
Terrorism Consequence Management Preparedness Assistance Prc	J 733	83.552	2,781
Terrorism Consequence Management Preparedness Assistance Prc	J 733	83.552	<u>309</u>
Total Emergency Management Programs			<u>26,380</u>
Total Passed Through Ohio Emergency Management Agency			<u>26,380</u>

SCIOTO COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

(Continued)

FEDERAL GRANTOR	Pass	Federal	
<i>Pass Through Grantor</i>	Through	CFDA	
Program Title	Entity Number	Number	Disbursements
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Ohio Department of Mental Retardation and Development Disabilities:</i>			
Social Services Block Grant - Title XX	01-02	93.667	96,006
Medical Assistance Program			
Title XIX (TCM)	N/A	93.778	504,812
Medicaid Assistance (CAFS)	N/A	93.778	<u>1,011,808</u>
Total Medical Assistance Programs			<u>1,516,620</u>
Total Passed Through Ohio Department of Mental Retardation and Developmental Disabilities			<u>1,612,626</u>
Total United States Department of Health and Human Services			1,612,626
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through Ohio Department of Education:</i>			
Innovative Education Program Strategies - Title V	078063-C2-S1-2002	84.298	3,764
Special Education Cluster:			
Special Education Grants to States (Part B, Education of the Handicapped)	078063-6B-SF-02P	84.027	84,431
Special Education - Pre-School Grant	78063-PG-S1-2002P	84.173	<u>10,484</u>
Total Special Education Cluster			94,915
<i>Passed through Ohio Department of Rehabilitation and Correction:</i>			
Adult Basic Literacy Education (ABLE)	2003-PRSC-5	84.002	8,558
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>			
Special Education Grants for Infants and Families	73-6-002-1-DE-02	84.181	<u>62,818</u>
Total United States Department of Education			<u>170,055</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u><u>\$ 3,314,630</u></u>

SCIOTO COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Award Expenditures. 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, 2002, the gross amount of loans outstanding under this program was \$1,445,563. Of the loan balances outstanding \$550,337 were deemed uncollectible.

Most of these loans are collateralized by mortgages on the property and by equipment, however, the County as taken second and third position lien holders on one of the loans which is 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 C -- 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 D – NATIONAL SCHOOL LUNCH PROGRAM

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Scioto County
602 Seventh Street
Portsmouth, Ohio 45662

To the Board of County Commissioners:

We have audited the general purpose financial statements of Scioto County, Ohio (the County), as of and for the year ended December 31, 2002, and have issued our report thereon dated September 30, 2003, wherein we noted a lack of evidence to fully support the existence and valuation of fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated September 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and questioned costs as item 2002-001.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 30, 2003.

This report is intended for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

September 30, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND 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 are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 2002-002, 2002-003, and 2002-004 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Cash Management, Allowable Costs/Cost Principles, and Suspension and Debarment Certification that are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the County 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 have a direct and material effect on a major federal program in order 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.

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 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving internal control over federal compliance that does not require inclusion in this report that we have reported to the management of the County in a separate letter dated September 30, 2003.

This report is intended for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 30, 2003

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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)?	No
(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	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant - CFDA #14.228 Medicaid – CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

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

Finding Number 2002-001

Material Weakness

The County did not have a fixed asset system. The County has relied upon information the Auditor of State has maintained. However, maintaining systems to support financial reporting needs is management's responsibility. The lack of a system could result in the misstatement of fixed assets in the general purpose financial statements of the County since there is no central area from which to collect the necessary information. Further, physical security and control of the assets are hampered by not having a central tracking system.

In addition, the Scioto County Airport Authority, a discretely presented component unit of the County, did not have a system in place to track the fixed assets. It is the Airport Authority's responsibility to maintain a system to support the financial reporting needs of the Airport Authority.

We recommend the County and the Airport Authority develop or acquire a fixed asset tracking system. All of the assets of the County and the Airport Authority should be given a unique identification number. Further, identification tags containing the asset's identification number should be placed on the asset. The systems should include a description of the asset, the date purchased, cost and should calculate and keep track of accumulated depreciation for each of the assets. Further, the systems should include the fund(s) from which the asset was purchased and the function(s) or program(s) for which the asset is used. This could enhance the County's and the Airport Authority's ability to track assets purchased with federal grant monies and to meet the revised fixed asset accounting requirements of Governmental Accounting Standard No. 34 next year. Such systems would enhance the County's and the Airport Authority's ability to properly report the fixed assets and would also enhance physical security and control over the assets.

Recent changes to the independence rules of *Governmental Auditing Standards* may prohibit the Auditor of State from maintaining fixed asset records for the County in future years.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2002-002
CFDA Title and Number	Community Development Block Grant #14.228
Federal Award Number/Year	B-F-01-068-1 and B-F-00-068-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Cash Management – Noncompliance Citation

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

SCIOTO COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number 2002-002 (Continued)

Cash Management – Noncompliance Citation (Continued)

A comparison of the draws to the expenditures for each of the funds revealed the following:

Project #BF 01-068-1:

The County received \$20,000 on February 21, 2002, but did not reduce its balances to below \$5,000 until March 22, 2002. In addition, the County received \$22,700 on April 5, 2002, but did not reduce its balance to below \$5,000 until May 17, 2002. Therefore, funds were held on deposit exceeding \$5,000 for over 15 days.

The County earned interest in the amount of \$266 on CDBG funds during the audit period. No interest was remitted to the Ohio Housing Community Partnership. This exceeded the \$100 annual limitation on interest earnings.

We recommend the County develop a cash management system to ensure compliance with the Fifteen Day Rule which relates to prompt disbursement of funds. We further recommend the County remit \$166 in interest earnings to the Ohio Housing Community Partnership.

Finding Number	2002-003
CFDA Title and Number	Community Development Block Grant #14.228
Federal Award Number/Year	B-F-00-068-1 and B-F-01-068-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Allowable Costs/Cost Principles – Questioned Cost and Noncompliance Citation

24 C.F.R. Part 570.206(e) and OMB Circular A-87 state that program administration costs of overall program management coordination is eligible if indirect costs are charged using an accepted cost allocation plan. Community Development Block Grants Compliance Requirements for the recovery of indirect costs state that organizations must prepare cost allocation plans (CAPs) which apply to local governments or indirect cost rate proposals (IDCRPs) in accordance with the guidelines provided in the circulars. Organizations, such as smaller local governments, must prepare appropriate CAPs or IDCRPs and maintain them on file for review. Indirect costs are defined as those costs that benefit common activities and, therefore, cannot be readily assigned to a specific direct cost objective or project.

During the audit, the Community Development office manager stated that neither CAPs nor IDCRPs were prepared for the recovery of indirect costs. Further, it was noted that the Community Development Department administered various grants. The County directly charged certain grants for indirect costs, such as advertisements, pager service bills, cellular phone bills, office supplies, etc. The County did not maintain sufficient usage documentation to substantiate the reasoning for charging the specific grants the amounts that were charged. This causes questions concerning the validity and allowability of such costs in the manner that they were charged to various grants. Due to the lack of documentation and the failure of the County to develop a Cost Allocation Plan and/or an Indirect Cost Rate Proposal Plan for the recovery of indirect costs, \$62,700 in expenditures were arbitrarily allocated to the current CDBG grants administered by the County and are, therefore, considered questioned costs.

SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)

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

Finding Number 2002-003 (Continued)

Allowable Costs/Cost Principles – Questioned Cost and Noncompliance Citation (Continued)

We recommend that the County develop either a cost allocation plan (CAP) or an indirect cost rate proposal (IDCRP) and maintain a copy on file. The County should maintain documentation as to how they arrived at the rates or allocation plan to be used. The development of such plans should not result in arbitrary charges. Further, we recommend that the County maintain documentation of the actual time worked on each specific project and grant for the charging of the payroll of employees and consultants. It is important to substantiate any and all charges to the Community Development Block Grants to ensure compliance with applicable requirements.

Finding Number	2002-004
CFDA Title and Number	Community Development Block Grant #14.228
Federal Award Number/Year	B-F-00-068-1 and B-F-01-068-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Suspension and Debarment Certification – Noncompliance Citation

24 C.F.R. Part 24.105, 24.110, and 24.510 states that contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. The non-Federal entity may rely upon the certification unless it knows that the certification is erroneous.

The County did not obtain certifications for contracts exceeding \$100,000.

We recommend that the County obtain certifications from contractors whose contracts exceed \$100,000 indicating that they are not suspended or debarred. In addition, the County should check for suspended and debarred parties on the *List of Parties Excluded from Federal Procurement or Nonprocurement Programs*.

SCIOTO COUNTY

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60733-001	Fixed Asset System	No.	Not corrected. Comment was reissued as number 2002-001 in current audit.
2001-60733-002	CDBG Cash Management	No.	Not corrected. Comment was reissued as number 2002-002 in current audit.
2001-60733-003	CDBG Allowable Cost/Cost Principles – Questioned Cost	No.	Not corrected. Comment was reissued as number 2002-003 in current audit.

SCIOTO COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	The County is in the process of acquiring fixed asset software.	December 31, 2003	David Green, County Auditor
2002-002	The Office of Program Services will now require invoices be filed by the vendors prior to funds being drawn down.	December 31, 2003	Rod Honaker, Program Manager
2002-003	The Office of Program Services will use weekly time sheets showing amount of time worked on each specific project and separate costs of other items to show they are not paid for from CDBG funds.	December 31, 2003	Rod Honaker, Program Manager
2002-004	The County will obtain a certification from contractors whose contracts exceed \$100,000 stating they are not a suspended or debarred party.	December 31, 2003	Tom Reiser, County Commissioner



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SCIOTO COUNTY FINANCIAL CONDITION

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2003**