



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – December 31, 2004.....	13
Statement of Activities - For the Year Ended December 31, 2004.....	14
Balance Sheet – Governmental Funds – December 31, 2004.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – December 31, 2004.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - For the Year Ended December 31, 2004.....	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2004.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund For the Year Ended December 31, 2004.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Public Assistance Fund For the Year Ended December 31, 2004.....	24
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Auto License and Gas Fund For the Year Ended December 31, 2004.....	25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – MRDD Fund For the Year Ended December 31, 2004.....	26
Statement of Net Assets - Enterprise Funds – December 31, 2004.....	27
Statement of Revenues, Expenses and Changes in Net Assets Enterprise Funds - For the Year Ended December 31, 2004.....	28
Statement of Cash Flows - Enterprise Funds – For the Year Ended December 31, 2004.....	29
Statement of Fiduciary Net Assets - Fiduciary Funds – December 31, 2004.....	31
Statement of Changes in Fiduciary Net Assets Fiduciary Fund – For the Year Ended December 31, 2004.....	32

**FINANCIAL CONDITION  
SHELBY COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Notes to the Basic Financial Statements .....	33
Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2004 .....	71
Notes to the Schedule of Federal Awards Expenditures .....	73
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	75
Independent Accountants’ Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i> .....	77
Schedule of Findings.....	79
Schedule of Prior Audit Findings.....	81



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

County Commissioners  
County Auditor  
County Treasurer  
Shelby County  
129 East Court Street  
Sidney, Ohio 45365

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents.. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, as of December 31, 2004, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparisons for the General, Public Assistance, Auto License and Gas, and MRDD funds thereof 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 August 31, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read in conjunction with this report in assessing the results of our audit.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

August 31, 2005

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**FINANCIAL HIGHLIGHTS**

The County's total net assets increased \$3,033,124 during 2004. Net assets of governmental activities increased \$2,798,222 (approximately eight percent), due to the payments on long-term liabilities for the general obligation bonds payable and the increase in the due from other governments. Net assets of business-type activities increased by \$234,902 (approximately three percent), partly due to payments on long-term liabilities for the OWDA loan and also due to the increase in charges for services revenue at Fair Haven.

The General Fund transfers out equaled \$403,644. Out of this total, \$211,169 in transfers was to the Public Assistance Fund; \$170,436 was to the Children's Services Special Revenue Fund and \$22,039 was to subsidize various programs.

Business-type operations showed total operating revenue of \$7,340,937 and total operating expenses of \$7,173,316 for an operating income of \$167,621. The Fair Haven Fund and the Recycling Fund reflected an operating gain, but the Sewer Fund had an operating loss. Total business-type unrestricted net assets were \$1,593,631. This total includes \$504,314 for Fair Haven, \$916,251 for Sewer, and \$173,066 for Recycling.

Capital assets, net of accumulated depreciation, increased \$2,433,574 for governmental activities. A large portion of this was due to the many bridge projects that were completed during 2004. The County also began the construction of a salt storage facility.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand Shelby County's financial situation as a whole and also give a detailed view of the County's fiscal condition.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**REPORTING THE COUNTY AS A WHOLE**

**Statement of Net Assets and the Statement of Activities**

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

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

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

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

**Business-Type Activities** – These services include Fair Haven, sewer, and recycling. Fair Haven is the county home. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

**REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the County's major funds begins on page 9. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Shelby County's major funds are General, Public Assistance, Auto License and Gas, MRDD, Bond Retirement, Fair Haven, and Sewer.

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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

**THE COUNTY AS A WHOLE**

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

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Assets</b>						
Current and Other Assets	\$26,768,984	\$27,646,398	\$2,213,912	\$2,139,987	\$28,982,896	\$29,786,385
Capital Assets	25,745,597	23,312,023	8,800,571	9,072,555	34,546,168	32,384,578
<b>Total Assets</b>	<b>52,514,581</b>	<b>50,958,421</b>	<b>11,014,483</b>	<b>11,212,542</b>	<b>63,529,064</b>	<b>62,170,963</b>
<b>Liabilities</b>						
Long-Term Liabilities						
Due within One Year	292,828	1,613,432	146,916	117,971	439,744	1,731,403
Due in More Than One Year	3,075,685	3,174,210	1,887,946	2,120,188	4,963,631	5,294,398
Other Liabilities	9,823,339	9,646,272	340,390	570,054	10,163,729	10,216,326
<b>Total Liabilities</b>	<b>13,191,852</b>	<b>14,433,914</b>	<b>2,375,252</b>	<b>2,808,213</b>	<b>15,567,104</b>	<b>17,242,127</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	23,692,820	19,682,118	7,045,600	7,095,092	30,738,420	26,777,210
Restricted for:						
Other Purposes	11,960,117	12,079,349	0	0	11,960,117	12,079,349
Debt Service	15,141	177,413	0	0	15,141	177,413
Capital Outlay	1,222,377	1,750,583	0	0	1,222,377	1,750,583
Unrestricted	2,432,274	2,835,044	1,593,631	1,309,237	4,025,905	4,144,281
<b>Total Net Assets</b>	<b>\$39,322,729</b>	<b>\$36,524,507</b>	<b>\$8,639,231</b>	<b>\$8,404,329</b>	<b>\$47,961,960</b>	<b>\$44,928,836</b>

Accrued interest receivable decreased due to the decline in interest rates as well as declining cash balances. Accounts receivable increased about 30% largely as a result of increased volume at Fair Haven and increased rates at the Sewer Fund. Due from other governments increased about 20%, mostly because of increased motor vehicle license revenue. Permissive sales tax receivable increased around 16% due to increased sales. Property taxes receivable decreased about 2% due to a large decrease in delinquent personal property taxes. Notes receivable decreased around 7% from the prior year due to several notes being paid off during 2004. Special assessments receivable decreased due to payments received from property owners in 2004 that outpaced the new assessments being levied for the year.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

Accounts payable decreased due to paying bills quicker after year-end. Accrued wages decreased due to the timing of the payroll. For 2004, there was a lot fewer days of accrued wages as compared with 2004. Contracts and retainage payable increased due to the construction of the salt storage building which was started in 2004. Due to other governments increased due to a smaller premium reduction for the 2004 worker's compensation. The matured compensated absences payable decreased in 2004 because there was less owed in severance to employees at the end of 2004 than 2003.

Invested in capital assets, net of related debt, increased due to the large bridge replacement projects done during 2004. The increase in net assets restricted for other purposes was mostly due to an increase in due from other governments in the Auto License and Gas Fund which is expecting to receive more in motor vehicle license revenues.

Total net assets increased \$3,033,124. Net assets of the County's governmental activities increased by \$2,859,365, with unrestricted net assets decreasing \$402,770. Unrestricted net assets decreased mainly due to equity in pooled cash and cash equivalents decreasing due to expenses being greater than revenues for 2004. The County is working hard to keep expenses under revenues but is faced with decreasing revenues. The County was able to decrease expenditures significantly from 2003 to 2004 and as a result the decrease in unrestricted net assets was a lot less than in the prior year.

The net assets of the County's business-type activities increased by \$234,902, while reporting a total operating income during 2004. This increase was due in part to the decrease in long-term liabilities from principal payments and the increased charges for services revenue at Fair Haven. The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the year ended December 31, 2004, as compared with the year ended December 31, 2003.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program Revenues:						
Charges for Services	\$5,886,011	\$4,884,305	\$7,321,737	\$7,021,077	\$13,207,748	\$11,905,382
Operating Grants, Contributions and Interest	12,134,516	13,389,909	0	0	12,134,516	13,389,909
Capital Grants and Contributions	71,227	201	6,571	0	77,798	201
Total Program Revenues	<u>18,091,754</u>	<u>18,274,415</u>	<u>7,328,308</u>	<u>7,021,077</u>	<u>25,420,062</u>	<u>25,295,492</u>
General Revenues:						
Property and Other Taxes	7,513,749	7,741,291	0	0	7,513,749	7,741,291
Permissive Sales Tax	7,379,341	7,503,131	0	0	7,379,341	7,503,131
Grants and Entitlements	2,095,388	1,810,102	0	0	2,095,388	1,810,102
Other	219,622	353,793	19,231	7,828	238,853	361,621
Total General Revenues	<u>17,208,100</u>	<u>17,408,317</u>	<u>19,231</u>	<u>7,828</u>	<u>17,227,331</u>	<u>17,416,145</u>
Total Revenues	<u>35,299,854</u>	<u>35,682,732</u>	<u>7,347,539</u>	<u>7,028,905</u>	<u>42,647,393</u>	<u>42,711,637</u>
Program Expenses:						
General Government						
Legislative and Executive	4,224,374	4,261,812	0	0	4,224,374	4,261,812
Judicial	2,153,711	2,223,871	0	0	2,153,711	2,223,871
Public Safety	4,690,953	4,585,685	0	0	4,690,953	4,585,685
Public Works	5,619,486	5,758,427	0	0	5,619,486	5,758,427
Health	282,452	362,100	0	0	282,452	362,100
Human Services	13,990,906	13,933,464	0	0	13,990,906	13,933,464
Economic Development and Assistance	822,279	294,116	0	0	822,279	294,116
Other	0	16,340	0	0	0	16,340
Intergovernmental	414,616	483,580	0	0	414,616	483,580
Interest and Fiscal Charges	104,158	118,210	0	0	104,158	118,210
Fair Haven	0	0	6,178,018	6,002,835	6,178,018	6,002,835
Sewer	0	0	895,117	1,035,042	895,117	1,035,042
Recycling	0	0	238,199	237,301	238,199	237,301
Total Expenses	<u>32,302,935</u>	<u>32,037,605</u>	<u>7,311,334</u>	<u>7,275,178</u>	<u>39,614,269</u>	<u>39,312,783</u>
Increase(Decrease) in Net Assets Before Transfers	2,996,919	3,645,127	36,205	(246,273)	3,033,124	3,398,854
Transfers	(198,697)	(564,783)	198,697	564,783	0	0
Increase in Net Assets	<u>\$2,798,222</u>	<u>\$3,080,344</u>	<u>\$234,902</u>	<u>\$318,510</u>	<u>\$3,033,124</u>	<u>\$3,398,854</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Governmental Activities**

Grants and entitlements is the largest source of revenue for Shelby County. This makes up approximately 41% of total revenues for 2004. The major recipients of intergovernmental program revenues were the Public Assistance, Auto License and Gas, and MRDD Funds.

Property and other taxes decreased a little from 2003 to 2004, because of a decrease in delinquent personal property taxes.

Permissive sales tax is the next largest source of revenue for the County. The County received \$7,379,341 in 2004 or about 21% of total revenues.

The County's direct charges to users of governmental services made up around 17% of total governmental revenues for 2004. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges.

Human services programs accounted for approximately 43% of total expenses for governmental activities. Public works makes up approximately 17% of total expenses. Other major program expenses for governmental activities include public safety programs, which accounted for approximately 15% of total expenses, as well as general government legislative and executive, making up another 13%.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed \$3.6 million for capital assets, equipment and repairs. These assets included road resurfacing and safety and road maintenance equipment and vehicles.

**Business-Type Activities**

The net assets for business-type activities increased by \$234,902 during 2004. Charges for services were the largest revenue source, accounting for over 99% of total business-type activities revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2004 and 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Table 3**

	<u>2004</u>		<u>2003</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Current:				
General Government:				
Legislative and Executive	\$4,224,374	\$1,660,235	\$4,261,812	\$2,076,157
Judicial	2,153,711	1,421,235	2,223,871	1,487,440
Public Safety	4,690,953	4,298,262	4,585,685	3,617,307
Public Works	5,619,486	407,896	5,758,427	1,381,745
Health	282,452	91,254	362,100	4,409
Human Services	13,990,906	5,801,723	13,933,464	5,235,346
Economic Development and Assistance	822,279	63,502	294,116	(166,530)
Other	0	0	16,340	16,340
Intergovernmental	414,616	362,916	483,580	456,824
Interest and Fiscal Charges	104,158	104,158	118,210	118,210
<b>Total Expenses</b>	<b><u>\$32,302,935</u></b>	<b><u>\$14,211,181</u></b>	<b><u>\$32,037,605</u></b>	<b><u>\$14,227,248</u></b>

As indicated above, citizen safety and well being is emphasized.

Charges for services, operating grants, and capital grants of approximately 56% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 44% of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

**THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$35,158,489 and expenditures of \$36,230,420.

The General Fund is the chief operating fund of the County. At the end of the current year, unreserved fund balance of the General Fund was \$1,885,539 while total fund balance was \$1,998,115, a decrease of \$324,016 from the prior year.

The Public Assistance fund balance decreased \$76,589. This decrease was due mainly to the decrease in intergovernmental revenue outweighing the decrease in human services expenditures.

The Auto License and Gas fund balance decreased \$475,145. This decrease was due primarily to the many bridge projects completed during 2004 which brought the balance down a little.

The MRDD fund balance increased \$303,730 due to revenue increases from property taxes and intergovernmental grants and subsidies outpacing expenditure increases.

The enterprise funds reflect an operating income for 2004. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Fair Haven had an operating income of \$366,184, due mostly to increased medicare services provided by the County Home. The County Home became a skilled nursing facility in 2002 and is now starting to see increased revenues from it. The Sewer Fund had an operating loss of \$215,684. The County Commissioners have set fees with the intention of funding operating cost and debt service, however, depreciation expense, which is not a cash outflow, was \$183,335 in 2004.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Major Funds Budgeting Highlights**

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

During 2004, the General Fund had original appropriations of \$12,306,564 and final appropriations of \$12,465,663. Actual expenditures plus encumbrances for 2004 were \$11,846,928.

**Capital Assets and Debt Administration**

**Capital Assets**

**Table 3  
Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Land	\$521,770	\$521,770	\$458,746	\$458,746
Construction in Progress	327,949	0	0	0
Buildings	19,447,659	20,024,339	2,107,872	2,156,412
Improvements Other Than Buildings				
Equipment	361,279	367,767	41,577	47,290
Furniture and Fixtures	73,120	87,182	8,812	11,062
Vehicles	1,303,261	1,456,890	146,944	184,123
Construction in Progress				
Infrastructure - Bridges	3,710,559	854,075	6,036,620	6,214,922
Totals	<u>\$25,745,597</u>	<u>\$23,312,023</u>	<u>\$8,800,571</u>	<u>\$9,072,555</u>

The increase in infrastructure was the result of the bridge replacement projects completed during 2004. The construction in progress at year-end is a salt storage building. See Note 9 of the notes to the basic financial statements for more detailed capital asset information.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Debt**

At December 31, 2004, Shelby County had \$1,975,122 in long-term governmental debt outstanding, and \$1,754,972 in long-term enterprise debt.

**Table 4  
Outstanding Debt at Year End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
General Obligation Bonds	\$1,883,000	\$2,437,000	\$0	\$0
Loans Payable	36,065	39,864	1,742,329	1,962,652
Notes Payable	11,280	1,014,100	0	0
Capital Leases	44,777	42,905	12,643	14,811
<b>Totals</b>	<b>\$1,975,122</b>	<b>\$3,533,869</b>	<b>\$1,754,972</b>	<b>\$1,977,463</b>

All general obligation note and bond issues will be paid through the Bond Retirement Debt Service Fund with mainly property tax revenue.

The general obligation loan will be paid from the Bond Retirement Debt Service Fund with special assessments received within that fund.

Obligations under governmental activities capital leases will be paid from the General Fund and the Public Assistance Special Revenue Fund. Obligations under business-type activities capital lease will be paid from the Fair Haven County Home Fund.

The County's overall legal debt margin was \$23,174,151 as of December 31, 2004. The more restrictive unvoted legal debt margin was \$8,748,084 as of the same date. See Note 15 of the notes to the basic financial statements for more detailed information.

The loans payable in the Sewer Enterprise Fund will be paid from the fund's operating revenues and from special assessments received within that fund.

**CONTACTING THE COUNTY AUDITOR'S OFFICE**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joe DeWeese, County Auditor, Shelby County, 129 East Court Street, Sidney, Ohio 45365.

**This page intentionally left blank.**



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	S and H Products
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$9,826,656	\$610,565	\$10,437,221	
Cash and Cash Equivalents in Segregated Accounts	16,805	6,000	22,805	\$105,690
Investments in Segregated Accounts				273,454
Accrued Interest Receivable	35,388		35,388	3,808
Permissive Sales Tax Receivable	1,348,034		1,348,034	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	528,292	307,287	835,579	71,664
Inventory of Supplies and Materials	194,920	7,224	202,144	
Due from Other Governments	5,295,187	351,889	5,647,076	
Property and Other Taxes Receivable	7,867,494		7,867,494	
Prepaid Items	257,541	2,000	259,541	
Internal Balances	(2,336)	2,336		
Notes Receivable	1,063,294		1,063,294	120
Special Assessments Receivable	305,070	926,611	1,231,681	
Loans Receivable	22,500		22,500	125,000
Deferred Charges	10,139		10,139	
Depreciable Capital Assets, Net	24,895,878	8,341,825	33,237,703	102,474
Capital Assets, Not Being Depreciated	849,719	458,746	1,308,465	
<b>Total Assets</b>	<b>52,514,581</b>	<b>11,014,483</b>	<b>63,529,064</b>	<b>682,210</b>
<b>Liabilities</b>				
Accounts Payable	568,992	97,074	666,066	1,574
Contracts Payable	105,051		105,051	
Retainage Payable	8,990		8,990	
Accrued Wages Payable	296,260	147,545	443,805	15,644
Due to Other Governments	450,302	90,511	540,813	1,868
Accrued Interest Payable	12,991		12,991	
Matured Compensated Absences Payable		5,260	5,260	
Notes Payable	500,000		500,000	
Loans Payable	125,000		125,000	
Deferred Revenue	7,755,753		7,755,753	
Long Term Liabilities:				
Due Within One Year	292,828	146,916	439,744	
Due in More Than One Year	3,075,685	1,887,946	4,963,631	
<b>Total Liabilities</b>	<b>13,191,852</b>	<b>2,375,252</b>	<b>15,567,104</b>	<b>19,086</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	23,692,820	7,045,600	30,738,420	102,474
Restricted for:				
Other Purposes	11,960,117		11,960,117	
Debt Service	15,141		15,141	
Capital Outlay	1,222,377		1,222,377	
Unrestricted	2,432,274	1,593,631	4,025,905	560,650
<b>Total Net Assets</b>	<b>\$39,322,729</b>	<b>\$8,639,231</b>	<b>\$47,961,960</b>	<b>\$663,124</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants, Contributions and Interest</b>	
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$4,224,374	\$2,351,247	\$212,892	
Judicial	2,153,711	356,107	376,369	
Public Safety	4,690,953	380,043	12,648	
Public Works	5,619,486	532,906	4,607,457	\$71,227
Health	282,452	191,175	23	
Human Services	13,990,906	2,022,635	6,166,548	
Economic Development and Assistance	822,279	198	758,579	
Intergovernmental	414,616	51,700		
Interest and Fiscal Charges	104,158			
Total Governmental Activities	<u>32,302,935</u>	<u>5,886,011</u>	<u>12,134,516</u>	<u>71,227</u>
<b>Business-type activities:</b>				
Fair Haven	6,178,018	6,520,563		6,571
Sewer	895,117	545,854		
Recycling	238,199	255,320		
Total business-type activities	<u>7,311,334</u>	<u>7,321,737</u>		<u>6,571</u>
Total primary government	<u>\$39,614,269</u>	<u>\$13,207,748</u>	<u>\$12,134,516</u>	<u>\$77,798</u>
<b>Component Unit</b>				
S and H Products	<u>\$674,456</u>	<u>\$216,615</u>	<u>\$187,467</u>	<u>\$0</u>

General Revenues:  
Property Taxes Levied for:  
    General Purposes  
    Other Purposes  
    Debt Service  
County Permissive Motor Vehicle License Taxes Levied for Public Works  
Permissive Sales Taxes Imposed for:  
    General Purposes  
    Debt Service  
    Public Works  
Grants and Entitlements not Restricted to Specific Programs  
Unrestricted Investment Earnings  
Decrease in Fair Value of Investments  
Miscellaneous  
Transfers  
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements.

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>S and H Products</b>
(\$1,660,235)		(\$1,660,235)	
(1,421,235)		(1,421,235)	
(4,298,262)		(4,298,262)	
(407,896)		(407,896)	
(91,254)		(91,254)	
(5,801,723)		(5,801,723)	
(63,502)		(63,502)	
(362,916)		(362,916)	
(104,158)		(104,158)	
<u>(14,211,181)</u>		<u>(14,211,181)</u>	
	\$349,116	349,116	
	(349,263)	(349,263)	
	17,121	17,121	
	<u>16,974</u>	<u>16,974</u>	
<u>(14,211,181)</u>	<u>16,974</u>	<u>(14,194,207)</u>	
			<u>(\$270,374)</u>
2,095,225		2,095,225	
4,668,864		4,668,864	
615,628		615,628	
134,032		134,032	
4,110,763		4,110,763	
808,375		808,375	
2,460,203		2,460,203	
2,095,388		2,095,388	243,552
231,072	32	231,104	26,418
(48,999)		(48,999)	
37,549	19,199	56,748	9,374
(198,697)	198,697		
<u>17,009,403</u>	<u>217,928</u>	<u>17,227,331</u>	<u>279,344</u>
2,798,222	234,902	3,033,124	8,970
<u>36,524,507</u>	<u>8,404,329</u>	<u>44,928,836</u>	<u>654,154</u>
<u>\$39,322,729</u>	<u>\$8,639,231</u>	<u>\$47,961,960</u>	<u>\$663,124</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$909,102	\$303,146	\$3,666,404	\$1,072,356
Cash and Cash Equivalents in Segregated Accounts	12,348			
Receivables:				
Property and Other Taxes	2,224,127		9,730	5,393,194
Permissive Sales Tax	786,413		449,276	
Accounts (Net, where applicable, of Uncollectible Accounts)	411,324	9,418	8,117	190
Interfund	37,427	48,877	15,430	131,500
Special Assessments				
Accrued Interest	35,388			
Due from Other Governments	1,004,429	178,526	2,933,210	741,628
Prepaid Items	217,860	10,156	889	22,842
Inventory of Supplies and Materials	68,616	4,351	120,491	970
Notes Receivable				
Loans Receivable	22,500			
<i>Total Assets</i>	<u>\$5,729,534</u>	<u>\$554,474</u>	<u>\$7,203,547</u>	<u>\$7,362,680</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$103,071	\$87,247	\$50,233	\$257,043
Contracts Payable			32,790	
Retainage Payable			8,990	
Accrued Wages Payable	145,706	33,600	22,814	59,579
Due to Other Governments	168,212	102,343	30,427	79,683
Interfund Payable	65,986	10,219		4,364
Accrued Interest Payable				5,351
Notes Payable				500,000
Loans Payable				125,000
Deferred Revenue	3,248,444	173,198	2,285,562	5,947,606
<i>Total Liabilities</i>	<u>3,731,419</u>	<u>406,607</u>	<u>2,430,816</u>	<u>6,978,626</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	33,634	59,678	432,096	14,325
Reserved for Advances	23,986			
Reserved for Loans Receivable	22,500			
Reserved for Notes Receivable				
Reserved for Unclaimed Monies	32,456			
Unreserved:				
Undesignated, Reported in:				
General Fund	1,885,539			
Special Revenue Funds		88,189	4,340,635	369,729
Debt Service Funds				
Capital Projects Funds				
<i>Total Fund Balances</i>	<u>1,998,115</u>	<u>147,867</u>	<u>4,772,731</u>	<u>384,054</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,729,534</u>	<u>\$554,474</u>	<u>\$7,203,547</u>	<u>\$7,362,680</u>

See accompanying notes to the basic financial statements.

<b>Bond Retirement Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$15,526	\$3,860,122	\$9,826,656
	4,457	16,805
240,443		7,867,494
	112,345	1,348,034
	99,243	528,292
	92,644	325,878
40,541	264,529	305,070
		35,388
	437,394	5,295,187
	5,794	257,541
	492	194,920
	1,063,294	1,063,294
		22,500
<u>\$296,510</u>	<u>\$5,940,314</u>	<u>\$27,087,059</u>
	\$71,398	\$568,992
	72,261	105,051
		8,990
	34,561	296,260
	69,637	450,302
1,820	245,825	328,214
		5,351
		500,000
		125,000
280,984	654,300	12,590,094
<u>282,804</u>	<u>1,147,982</u>	<u>14,978,254</u>
	120,736	660,469
	82,145	106,131
		22,500
	896,945	896,945
		32,456
		1,885,539
	2,601,137	7,399,690
13,706		13,706
	1,091,369	1,091,369
<u>13,706</u>	<u>4,792,332</u>	<u>12,108,805</u>
<u>\$296,510</u>	<u>\$5,940,314</u>	<u>\$27,087,059</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Total Governmental Fund Balances</b>		<b>\$12,108,805</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		25,745,597
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	\$185,335	
Intergovernmental	3,894,818	
Accounts Receivable	439,288	
Special Assessments	302,657	
Interest	<u>12,243</u>	
<b>Total</b>		<b>4,834,341</b>
Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets but are expended in the funds.		10,139
Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest	(7,640)	
General Obligation Bonds	(1,883,000)	
Special Assessment Long-Term Note	(11,280)	
OWDA Loan	(36,065)	
Capital Leases	(44,777)	
Compensated Absences	<u>(1,393,391)</u>	
<b>Total</b>		<b><u>(3,376,153)</u></b>
<b>Net Assets of Governmental Activities</b>		<b><u><u>\$39,322,729</u></u></b>
<i>See accompanying notes to the basic financial statements.</i>		

**This page intentionally left blank.**

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
<b>Revenues</b>				
Property and Other Taxes	\$2,174,088		\$134,032	\$4,867,490
Permissive Sales Tax	4,110,763		2,460,203	
Intergovernmental	2,050,890	\$2,873,539	4,147,125	1,818,421
Charges for Services	2,344,731	581,393	197,121	29,055
Licenses and Permits	4,035			
Fines and Forfeitures	201,404			
Special Assessments				
Interest	238,758		44,531	
Decrease in Fair Value of Investments	(48,999)			
Contributions and Donations				
Other	112,543	163,515	39,984	321,109
<b>Total Revenues</b>	<u>11,188,213</u>	<u>3,618,447</u>	<u>7,022,996</u>	<u>7,036,075</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,263,481			
Judicial	1,892,471			
Public Safety	3,736,363			
Public Works	872,202		7,498,141	
Health	99,451			
Human Services	863,003	3,894,654		6,719,667
Economic Development and Assistance				
Intergovernmental	414,616			
Capital Outlay				
Debt Service:				
Principal Retirement	6,259	10,091		
Interest and Fiscal Charges	1,437	1,460		12,678
Issuance Costs				
<b>Total Expenditures</b>	<u>11,149,283</u>	<u>3,906,205</u>	<u>7,498,141</u>	<u>6,732,345</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>38,930</u>	<u>(287,758)</u>	<u>(475,145)</u>	<u>303,730</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	13,398			
Inception of Capital Lease	27,300			
Proceeds of Bonds				
Payment to Refunded Bond Escrow Agent				
Transfers - In		211,169		
Transfers - Out	(403,644)			
<b>Total Other Financing Sources (Uses)</b>	<u>(362,946)</u>	<u>211,169</u>		
<b>Net Change in Fund Balances</b>	(324,016)	(76,589)	(475,145)	303,730
<b>Fund Balances Beginning of Year - Restated (See Note 3)</b>	<u>2,322,131</u>	<u>224,456</u>	<u>5,247,876</u>	<u>80,324</u>
<b>Fund Balances End of Year</b>	<u>\$1,998,115</u>	<u>\$147,867</u>	<u>\$4,772,731</u>	<u>\$384,054</u>

See accompanying notes to the basic financial statements.



<u>Bond Retirement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$647,395		\$7,823,005
808,375		7,379,341
	\$2,644,365	13,534,340
	1,325,065	4,477,365
	96,904	100,939
	56,882	258,286
7,974	329,131	337,105
	536	283,825
		(48,999)
	76,592	76,592
	299,539	936,690
<u>1,463,744</u>	<u>4,829,014</u>	<u>35,158,489</u>
	754,025	4,017,506
	189,801	2,082,272
	521,522	4,257,885
	365,572	8,735,915
	166,888	266,339
	2,236,675	13,713,999
	798,984	798,984
		414,616
	227,692	227,692
1,572,619		1,588,969
99,402		114,977
11,266		11,266
<u>1,683,287</u>	<u>5,261,159</u>	<u>36,230,420</u>
<u>(219,543)</u>	<u>(432,145)</u>	<u>(1,071,931)</u>
		13,398
		27,300
1,883,000		1,883,000
(1,871,000)		(1,871,000)
206,384	196,013	613,566
	(408,619)	(812,263)
<u>218,384</u>	<u>(212,606)</u>	<u>(145,999)</u>
(1,159)	(644,751)	(1,217,930)
<u>14,865</u>	<u>5,437,083</u>	<u>13,326,735</u>
<u>\$13,706</u>	<u>\$4,792,332</u>	<u>\$12,108,805</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net Change in Fund Balances - Total Governmental Funds** (\$1,217,930)

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

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

Capital Outlay	\$3,610,415	
Depreciation	<u>(1,116,854)</u>	
Excess of Capital Outlay over Depreciation Expense		2,493,561

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. In the current year, these amounts consisted of:

Proceeds from Sale of Assets	(13,398)	
Loss on Sale of Assets	(37,511)	
Book Value of Asset Under Capital Lease	<u>(9,078)</u>	
		(59,987)

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

General Obligation Bond Principal Payments	566,000	
General Obligation Long-Term Note Principal Payments	1,000,000	
Elliot Ditch Special Assessment Note Principal Payments	2,820	
OWDA Loan Principal Payments	3,799	
Capital Lease Principal Payments	16,350	
Remaining Liability on Replaced Capital Lease	<u>9,078</u>	
		1,598,047

New debt issues and payments associated with bond refundings are recorded as other financing sources and uses in the funds, but are recorded as long-term obligations and reductions of long-term obligations in the statement of net assets. In the current year, the amounts relating to the Counties debt refunding were:

Payment to refunding bond agent	1,871,000	
Proceeds of refunding bonds	<u>(1,883,000)</u>	
		(12,000)

Inception of capital lease is reported as an other financing source in the governmental funds in the first year of a lease but a lease liability is recorded in the statement of activities.

(27,300)

Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets, but are expended in the funds.

Issuance costs expended in the funds in 2004	11,266	
Amortization of issuance costs for statement of activities	<u>(1,127)</u>	
		10,139

Some revenues that will not be collected for several months after the County's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:

Property and Other Taxes	(309,268)	
Intergovernmental	417,170	
Charges for Services	12,584	
Fines and Forfeitures	41,885	
Licenses and Permits	8,543	
Special Assessments	(21,864)	
Interest	<u>(7,686)</u>	
		141,364

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

Decrease in Accrued Interest	11,946	
Increase in Compensated Absences	(139,618)	
		<u>(127,672)</u>

**Change in Net Assets of Governmental Activities** \$2,798,222

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$2,122,430	\$2,122,430	\$2,191,039	\$68,609
Permissive Sales Tax	3,725,000	3,725,000	3,903,544	178,544
Intergovernmental	2,094,684	2,094,684	2,057,737	(36,947)
Charges for Services	2,478,600	2,478,600	2,553,375	74,775
Licenses and Permits	4,710	4,710	4,035	(675)
Fines and Forfeitures	298,100	298,100	203,130	(94,970)
Interest	305,000	305,000	257,219	(47,781)
Other	283,421	283,421	117,480	(165,941)
Total Revenues	<u>11,311,945</u>	<u>11,311,945</u>	<u>11,287,559</u>	<u>(24,386)</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,379,342	3,454,675	3,334,320	120,355
Judicial	2,003,340	2,001,511	1,933,095	68,416
Public Safety	4,125,244	4,103,996	3,863,210	240,786
Public Works	906,823	908,116	888,787	19,329
Health	109,913	105,950	105,053	897
Human Services	972,623	1,004,217	897,383	106,834
Intergovernmental	382,181	414,616	414,616	
Total Expenditures	<u>11,879,466</u>	<u>11,993,081</u>	<u>11,436,464</u>	<u>556,617</u>
Excess of Revenues Under Expenditures	<u>(567,521)</u>	<u>(681,136)</u>	<u>(148,905)</u>	<u>532,231</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	10,000	10,000	13,398	3,398
Advances In	25,000	25,000	31,578	6,578
Advances Out		(6,820)	(6,820)	
Transfers - Out	(427,098)	(465,762)	(403,644)	62,118
Total Other Financing Sources (Uses)	<u>(392,098)</u>	<u>(437,582)</u>	<u>(365,488)</u>	<u>72,094</u>
Net Change in Fund Balance	(959,619)	(1,118,718)	(514,393)	604,325
Fund Balance Beginning of Year	1,122,303	1,122,303	1,122,303	
Prior Year Encumbrances Appropriated	157,558	157,558	157,558	
<i>Fund Balance End of Year</i>	<u>\$320,242</u>	<u>\$161,143</u>	<u>\$765,468</u>	<u>\$604,325</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$3,721,478	\$3,738,618	\$3,055,884	(\$682,734)
Charges for Services	675,000	675,000	543,894	(\$131,106)
Other	121,500	121,500	142,557	\$21,057
Total Revenues	4,517,978	4,535,118	3,742,335	(792,783)
<b>Expenditures</b>				
Current:				
Human Services	4,924,605	4,745,572	4,124,712	620,860
Excess of Revenues Over (Under) Expenditures	(406,627)	(210,454)	(382,377)	(171,923)
<b>Other Financing Sources (Uses)</b>				
Advances - In	50,000			
Advances -Out	(50,000)			
Transfers - In	180,000	180,000	211,169	31,169
Total Other Financing Sources (Uses)	180,000	180,000	211,169	31,169
Net Change in Fund Balance	(226,627)	(30,454)	(171,208)	(140,754)
Fund Balance (Deficit) at Beginning of Year	(89,896)	(89,896)	(89,896)	
Prior Year Encumbrances Appropriated	290,865	290,865	290,865	
Fund Balance at End of Year	<u>(\$25,658)</u>	<u>\$170,515</u>	<u>\$29,761</u>	<u>(\$140,754)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
AUTO LICENSE AND GAS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$125,000	\$125,000	\$133,106	\$8,106
Permissive Sales Tax	2,200,000	2,200,000	2,396,972	196,972
Intergovernmental	3,735,000	3,735,000	3,846,395	111,395
Charges for Services	145,000	145,000	190,660	45,660
Interest	30,000	30,000	42,080	12,080
Other	39,000	39,000	37,847	(1,153)
<b>Total Revenues</b>	<b>6,274,000</b>	<b>6,274,000</b>	<b>6,647,060</b>	<b>373,060</b>
<b>Expenditures</b>				
Current:				
Public Works	10,436,604	10,688,638	8,117,889	2,570,749
<b>Net Change in Fund Balance</b>	<b>(4,162,604)</b>	<b>(4,414,638)</b>	<b>(1,470,829)</b>	<b>2,943,809</b>
Fund Balance at Beginning of Year	3,390,210	3,390,210	3,390,210	
Prior Year Encumbrances Appropriated	1,107,709	1,107,709	1,107,709	
<b>Fund Balance at End of Year</b>	<b>\$335,315</b>	<b>\$83,281</b>	<b>\$3,027,090</b>	<b>\$2,943,809</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
MRDD FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$5,601,979	\$5,601,979	\$4,149,298	(\$1,452,681)
Intergovernmental	2,103,782	2,103,782	1,851,433	(252,349)
Charges for Services	25,200	25,200	29,289	4,089
Other	104,039	104,039	322,302	218,263
Total Revenues	<u>7,835,000</u>	<u>7,835,000</u>	<u>6,352,322</u>	<u>(1,482,678)</u>
<b>Expenditures</b>				
Current:				
Human Services	7,922,005	7,210,059	6,948,675	261,384
Debt Service:				
Principal Retirement	75,000	150,000	25,000	125,000
Interest and Fiscal Charges	6,000	8,000	2,618	5,382
Total Expenditures	<u>8,003,005</u>	<u>7,368,059</u>	<u>6,976,293</u>	<u>391,766</u>
Excess of Revenues Over (Under) Expenditures	<u>(168,005)</u>	<u>466,941</u>	<u>(623,971)</u>	<u>(1,090,912)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Notes			1,204,000	1,204,000
Advances In		350,000	350,000	
Advances Out		(355,000)	(355,000)	
Total Other Financing Sources (Uses)		<u>(5,000)</u>	<u>1,199,000</u>	<u>1,204,000</u>
Net Change in Fund Balance	(168,005)	461,941	575,029	113,088
Fund Balance at Beginning of Year	57,367	57,367	57,367	
Prior Year Encumbrances Appropriated	244,433	244,433	244,433	
Fund Balance at End of Year	<u>\$133,795</u>	<u>\$763,741</u>	<u>\$876,829</u>	<u>\$113,088</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2004**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$423,909	\$26,804	\$159,852	\$610,565
Cash and Cash Equivalents in Segregated Accounts	6,000			6,000
Accounts Receivable	243,572	38,072	25,643	307,287
Inventory of Supplies and Materials	5,645	400	1,179	7,224
Due from Other Governments	351,889			351,889
Prepaid Items	926	1,074		2,000
Interfund Receivable			9,023	9,023
Special Assessments Receivable		174,116		174,116
<b>Total Current Assets</b>	<u>1,031,941</u>	<u>240,466</u>	<u>195,697</u>	<u>1,468,104</u>
Non-current Assets:				
Special Assessments Receivable - net of current portion		752,495		752,495
Non-Depreciable Capital Assets	17,031	390,177	51,538	458,746
Depreciable Capital Assets, Net	1,772,122	6,361,960	207,743	8,341,825
<b>Total Noncurrent Assets</b>	<u>1,789,153</u>	<u>7,504,632</u>	<u>259,281</u>	<u>9,553,066</u>
<b>Total Assets</b>	<u>2,821,094</u>	<u>7,745,098</u>	<u>454,978</u>	<u>11,021,170</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	71,793	21,909	3,372	97,074
Accrued Wages Payable	140,719	4,497	2,329	147,545
Matured Compensated Absences Payable	5,260			5,260
Due to Other Governments	81,422	5,945	3,144	90,511
Interfund Payable		6,687		6,687
Compensated Absences Payable	21,187	3,142	1,233	25,562
Capital Leases Payable	2,973			2,973
OPWC Loans Payable		1,875		1,875
OWDA Loans Payable		116,506		116,506
<b>Total Current Liabilities</b>	<u>323,354</u>	<u>160,561</u>	<u>10,078</u>	<u>493,993</u>
Long-Term Liabilities:				
Compensated Absences Payable - net of current portion	207,246	34,530	12,553	254,329
Capital Leases Payable - net of current portion	9,670			9,670
OPWC Loans Payable - net of current portion		48,750		48,750
OWDA Loans Payable - net of current portion		1,575,197		1,575,197
<b>Total Long-Term Liabilities</b>	<u>216,916</u>	<u>1,658,477</u>	<u>12,553</u>	<u>1,887,946</u>
<b>Total Liabilities</b>	<u>540,270</u>	<u>1,819,038</u>	<u>22,631</u>	<u>2,381,939</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,776,510	5,009,809	259,281	7,045,600
Unrestricted	504,314	916,251	173,066	1,593,631
<b>Total Net Assets</b>	<u>\$2,280,824</u>	<u>\$5,926,060</u>	<u>\$432,347</u>	<u>\$8,639,231</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Fair Haven</b>	<b>Sewer</b>	<b>Other Business-Type Activities</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for Services	\$6,520,563	\$545,855	\$94,861	\$7,161,279
Sales			160,459	160,459
Other	19,199			19,199
Total Operating Revenues	<u>6,539,762</u>	<u>545,855</u>	<u>255,320</u>	<u>7,340,937</u>
<b>Operating Expenses</b>				
Personal Services	4,591,323	286,743	158,002	5,036,068
Contractual Services	656,617	237,623	48,103	942,343
Materials and Supplies	656,255	52,444	3,544	712,243
Depreciation	71,090	183,335	24,130	278,555
Other	198,293	1,394	4,420	204,107
Total Operating Expenses	<u>6,173,578</u>	<u>761,539</u>	<u>238,199</u>	<u>7,173,316</u>
Operating Income (Loss)	<u>366,184</u>	<u>(215,684)</u>	<u>17,121</u>	<u>167,621</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Revenue			32	32
Interest and Fiscal Charges	(4,440)	(133,579)		(138,019)
Total Non-Operating Revenues (Expenses)	<u>(4,440)</u>	<u>(133,579)</u>	<u>32</u>	<u>(137,987)</u>
Income (Loss) Before Capital Contributions and Transfers	361,744	(349,263)	17,153	29,634
Capital Contributions	6,571			6,571
Transfers-In		198,697		198,697
Change in Net Assets	368,315	(150,566)	17,153	234,902
Net Assets Beginning of Year	<u>1,912,509</u>	<u>6,076,626</u>	<u>415,194</u>	<u>8,404,329</u>
Net Assets End of Year	<u>\$2,280,824</u>	<u>\$5,926,060</u>	<u>\$432,347</u>	<u>\$8,639,231</u>

See accompanying notes to the basic financial statements.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers and Support	\$6,373,451	\$695,487	\$251,289	\$7,320,227
Cash Received from Other Operating Receipts	19,199			19,199
Cash Payments for Employee Services and Benefits	(4,680,851)	(290,764)	(161,905)	(5,133,520)
Cash Payments to Suppliers	(1,441,971)	(284,199)	(52,547)	(1,778,717)
Cash Payments for Other Operating Expenses	(186,510)	(1,394)	(4,420)	(192,324)
Net Cash Provided by Operating Activities	<u>83,318</u>	<u>119,130</u>	<u>32,417</u>	<u>234,865</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers - In		198,697		198,697
Advances In			9,000	9,000
Advances Out			(9,000)	(9,000)
Net Cash Provided by Noncapital Financing Activities		<u>198,697</u>		<u>198,697</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Lease Principal Payments	(2,168)			(2,168)
Lease Interest Payments	(4,440)			(4,440)
Loan Principal Payments		(220,323)		(220,323)
Loan Interest Payments		(133,579)		(133,579)
Net Cash Used for Capital and Related Financing Activities	<u>(6,608)</u>	<u>(353,902)</u>		<u>(360,510)</u>
<b>Cash Flows from Investing Activities</b>				
Interest			32	32
Net Increase (Decrease) in Cash and Cash Equivalents	76,710	(36,075)	32,449	73,084
Cash and Cash Equivalents Beginning of Year	<u>353,199</u>	<u>62,879</u>	<u>127,403</u>	<u>543,481</u>
Cash and Cash Equivalents End of Year	<u>\$429,909</u>	<u>\$26,804</u>	<u>\$159,852</u>	<u>\$616,565</u>

(Continued)

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
<b>Operating Income (Loss)</b>	\$366,184	(\$215,684)	\$17,121	\$167,621
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation	71,090	183,335	24,130	278,555
<b>Changes in Assets and Liabilities:</b>				
Increase in Accounts Receivable	(178,947)	(4,275)	(4,085)	(187,307)
(Increase) Decrease in Inventory of Supplies and Materials	1,055	(400)	(691)	(36)
Decrease in Due from Other Governments	31,835			31,835
Decrease in Prepaid Items	383	259		642
Decrease in Interfund Receivable			54	54
Decrease in Special Assessments Receivable		153,907		153,907
Increase (Decrease) in Accounts Payable	(112,342)	5,671	(209)	(106,880)
Decrease in Accrued Wages	(102,478)	(6,544)	(3,291)	(112,313)
Increase (Decrease) in Due to Other Governments	(14,009)	491	(2,213)	(15,731)
Increase (Decrease) in Interfund Payable	(160)	224		64
Increase in Compensated Absences Payable	20,707	2,146	1,601	24,454
Net Cash Provided by Operating Activities	<u>\$83,318</u>	<u>\$119,130</u>	<u>\$32,417</u>	<u>\$234,865</u>

**Non-Cash Transactions:**

During 2004, the Fair Haven Fund had capital contributions for capital assets transferred from governmental funds with an original cost of \$20,350 and accumulated depreciation of \$13,779, for a book value of \$6,571.

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$30,740	\$3,521,397
Cash and Cash Equivalents in Segregated Accounts		410,646
Investments in Segregated Accounts		79,015
Receivables:		
Property and Other Taxes		43,862,463
Accounts (Net, where applicable, of Uncollectible Accounts)		508,134
Special Assessments		185,405
Accrued Interest		57
Due from Other Governments		4,011,187
<i>Total Assets</i>	30,740	\$52,578,304
<b>Liabilities</b>		
Accounts Payable	442	\$0
Due to Other Governments		49,225,007
Undistributed Monies		3,353,297
<i>Total Liabilities</i>	442	\$52,578,304
<b>Net Assets</b>		
Held in Trust for Pool Participants	\$30,298	

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Miscellaneous	\$18,416
<b>Deductions:</b>	
Distributions to Participants	<u>21,669</u>
Change in Net Assets	(3,253)
Net Assets Beginning of Year	<u>33,551</u>
<b>Net Assets End of Year</b>	<u><u>\$30,298</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION**

Shelby County, Ohio (The County) was created in 1819. 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 who 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, and a joint Probate/Juvenile 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 budgeting and taxing authority, contracting body and the chief administrators of public services for the County, including each of these departments.

**A. 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 of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Shelby County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, Fair Haven Home, the Shelby County Veterans Services, and all departments and activities that are directly operated by the elected County officials.

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

**Discretely Presented Component Unit**

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, S and H Products. It is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component unit is presented in Note 19.

**S and H Products** - S and H Products is a legally separate, not-for-profit corporation, served by a board appointed by the Shelby County Board of MRDD. The workshop, under contractual agreement with the Shelby County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The Shelby County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of S and H Products. 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 retarded and handicapped adults of Shelby County, the workshop is reflected as a component unit of Shelby County. Separately issued financial statements can be obtained from S and H Products at 1200 Children's Home Road, Sidney, Ohio 45365.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

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 activity of the following districts and agencies are presented as agency funds within the County's financial statements:

Shelby County General Health District  
Shelby County Soil Conservation District  
Shelby County Regional Planning Commission  
Shelby County Office of Homeland Security  
Shelby County Park District  
Shelby County Special Emergency Planning  
Shelby County Family and Children First

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, a Related Organization, and Insurance Pools. The County's Joint Ventures, the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), are presented in Note 20 of the basic financial statements. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Jointly Governed Organizations of the County, the Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board), the West Central Partnership, Inc. (the Partnership), and the North Central Ohio Solid Waste Management District (the District), are presented in Note 21 of the basic financial statements. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Related Organization, the Shelby Metropolitan Housing Authority (SMHA), is presented in Note 22. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County. The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 23 and Note 24. The Pool and the MEBC are risk-sharing pools, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Public Assistance Fund** – This fund is used to account for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, medical assistance, and certain public social services.

**Auto License and Gas Fund** – This fund is used to account for revenue derived from permissive sales and use tax, motor vehicle licenses, gasoline taxes and investment income. Expenditures in this fund are restricted by state law to County road and bridge repair and improvement programs.

**MRDD Fund** – This fund is used to account for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a county-wide property tax levy and federal and state grants.

**Bond Retirement Debt Service Fund** – This fund is used to account for various revenues collected for the payment of debt.

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

**2. Proprietary Funds**

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

**Enterprise Funds** – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

**Fair Haven Fund** – This fund is used to account for charges to residents of the county home to be used for the operation and maintenance of the county home.

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

The County also has one non-major enterprise fund:

**Recycling Fund** – This fund is used to account for the provision of recycling services to certain residents and businesses within the County.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used by the County to account for assets held under a trust agreement for individuals, private organizations or other governments, and are therefore, not available to support the County's own programs. Agency funds are used to report resources held by the County in a purely custodial capacity. The County's fiduciary funds are private purpose trust funds and agency funds. The County's private purpose trust fund accounts for donated money used for the purpose of helping foster children. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees, and to account for funds of the General Health District, Soil Conservation District, Regional Planning Commission, Office of Homeland Security, Park District, Special Emergency Planning, and Family and Children First.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

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

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Revenues - Exchange and Non-exchange Transaction**

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

Non-exchange revenue transactions in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 7). 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (See Note 7), accounts, interest, federal and State subsidies, grants, and locally levied shared taxes (including gasoline tax).

**F. Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received prior to the eligibility requirements being met have also been recorded as deferred revenue.

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

**G. Expenses/Expenditures**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Cash and Cash Equivalents**

Cash balances of the County's funds, except cash and cash equivalents in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately by S and H Products and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Investments that are held separately by S and H Products and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Investments in Segregated Accounts."

During 2004, the County invested in the following: First American Treasury Obligations, United States Treasury Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association (FNMA) Bonds, Federal Home Loan Mortgage Corporation Bonds (FHLMC), and Federal Farm Credit Bank Bonds.

Investments are reported at fair value which is based on quoted market prices.

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

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$238,758 was credited to the General Fund during 2004, which includes \$225,755 assigned from other County funds.

**I. Receivables and Payables**

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using these criteria, the County has elected to not record child support arrearages within the special revenue and agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

**J. Inventory of Supplies and Materials**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when used. Inventories of the proprietary funds are expensed when used.

Inventory consists of expendable supplies held for consumption.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Prepaid Items**

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

**L. Interfund Receivables/Payables**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables." On fund financial statements, long-term interfund loans are classified as a fund balance reserve account on the balance sheet which indicates that they do not constitute available expendable resources. Interfund balances are eliminated on the government-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

**M. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost, calculated by indexing estimated current cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of ten thousand dollars. The County has chosen not to add prior year infrastructure until required in 2007. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40-100 years
Equipment	8-20 years
Furniture and Fixtures	8-20 years
Vehicles	8-15 years
Infrastructure	10-70 years

In governmental funds, the County's infrastructure system consists of bridges. The County only reports the amounts acquired after 2002. The County plans to phase in the prior year amounts in future years. In the enterprise funds, infrastructure consists of sewer lines.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the County's termination policy. The County records a liability for accumulated unused sick leave for all employees after ten years of current service with the County.

The entire compensated absences liability is reported on the government-wide financial statements.

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

**O. Accrued Liabilities and Long-Term Obligations**

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

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

**P. Capital Contributions**

Contributions of capital arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business-type activities.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs.

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

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the enterprise funds. For the County, these revenues are charges for services for county home, sewer, and recycling services. Operating expenses are the necessary costs incurred to provide the services that are the primary activities of the funds. Revenues and expenses that do not meet these definitions are reported as nonoperating.

**S. Reserves of Fund Balance**

The County reserves those portions of fund balance which are legally segregated for specific future use or which do not represent expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, advances, loans receivable, notes receivable, and unclaimed monies.

**T. Interfund Transactions**

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

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

**U. Estimates**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**V. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses).

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2004.

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

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE**

**A. Change in Accounting Principle**

For 2004, the County has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of GASB Statement No. 39 had no affect on the reporting of component units for Shelby County.

**B. Restatement of Net Assets and Fund Balance**

Intergovernmental receivables of the MRDD Fund were restated at December 31, 2003, for an omission of State subsidy payments in the receivable calculation and general capital assets were restated at December 31, 2003 for errors in the calculation of accumulated depreciation. These changes had the following effect on net assets of governmental activities and on fund balance of the MRDD Fund as they were previously reported:

	<u>Net Assets</u> <u>Governmental Activities</u>	<u>Fund Balance</u> <u>MRDD Fund</u>
Net Assets/Fund Balance, December 31, 2003	\$36,435,944	(\$68,388)
Intergovernmental Receivable	464,058	148,712
Capital Assets	(375,495)	0
Restated Net Assets/Fund Balance, December 31, 2003	<u>\$36,524,507</u>	<u>\$80,324</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While financial position and results of operations are reported on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual, presented for the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, and the MRDD 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 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Receipt and payment of year-end intrafund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
8. Proceeds of debt obligations and capital leases of the funds are treated as other financing sources (budget basis) as opposed to liabilities (GAAP basis).
9. Payments on debt obligations of the funds are treated as expenditures (budget basis) rather than as reductions in the liabilities (GAAP basis).
10. Short-term obligations are properly reported on the GAAP basis as a liability in the fund that received the proceeds. To properly reflect this, adjustments were made to move the debt activity (budget basis) to the fund that received the proceeds.

Adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund, the Public Assistance Fund, the Auto License and Gas Fund and the MRDD Fund are as follows:



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Net Change in Fund Balance**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
GAAP Basis	(\$324,016)	(\$76,589)	(\$475,145)	\$303,730
Adjustments:				
Revenue Accruals	(52,822)	(2,280)	(284,397)	48,078
Expenditure Accruals	(187,361)	(17,623)	(80,530)	(143,106)
Unrecorded Cash 2003	47,208	194,449	7,978	0
Unrecorded Cash 2004	(28,287)	(68,281)	(99,517)	(7,142)
Change in Fair Value of Investments 2003	6,331	0	0	0
Change in Fair Value of Investments 2004	42,668	0	0	0
Prepaid Items	19,095	4,220	579	5,850
Inception of Capital Lease	(27,300)	0	0	0
Proceeds of Notes	0	0	0	1,204,000
Principal Retirement	0	0	0	(25,000)
Reallocation of Debt Activity	0	0	0	(710,381)
Encumbrances	(107,617)	(205,104)	(539,797)	(81,692)
Agency Fund Cash Allocation - 2003	135,696	0	0	92,385
Agency Fund Cash Allocation - 2004	(62,746)	0	0	(106,693)
Advances	24,758	0	0	(5,000)
Budget Basis	<u>(\$514,393)</u>	<u>(\$171,208)</u>	<u>(\$1,470,829)</u>	<u>\$575,029</u>

**5. 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. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the County Auditor 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.

Beginning June 15, 2004, inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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 (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws Ohio or any other state that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days aft purchase;
10. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they 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 qualified trustee, 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 \$35,262 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents." The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

At year-end, the carrying amount of the County's deposits was \$5,731,358 and the bank balance was \$6,584,701. Of the bank balance, \$785,108 was covered by federal deposit insurance and \$5,799,593 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

**B. 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, Revised Code.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments 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 or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty'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 counterparty, or by its trust department or agent but not in the County's name.

	<b>Primary Government</b>		
	<b>Category 1</b>	<b>Category 2</b>	<b>Carrying/Fair Value</b>
First American Treasury Obligations	\$0	\$621,877	\$621,877
U.S. Treasury Notes	500,000	1,829,961	2,329,961
Federal Home Loan Bank Bonds	500,000	1,504,471	2,004,471
Federal National Mortgage Association (FNMA) Bonds	0	1,427,526	1,427,526
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	0	2,031,337	2,031,337
Federal Farm Credit Bank Bonds	0	320,032	320,032
<b>Total</b>	<b>\$1,000,000</b>	<b>\$7,735,204</b>	<b>\$8,735,204</b>

The classification of cash and cash equivalents and investments on the basic 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." Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the County's cash management pool.

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

	<b>Primary Government</b>	
	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$14,422,809	\$79,015
Cash on Hand	(35,262)	0
Investments:		
Certificate of Deposit	79,015	(79,015)
First American Treasury Obligations	(621,877)	621,877
U.S. Treasury Notes	(2,329,961)	2,329,961
Federal Home Loan Bank Bonds	(2,004,471)	2,004,471
Federal National Mortgage Association (FNMA) Bonds	(1,427,526)	1,427,526
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	(2,031,337)	2,031,337
Federal Farm Credit Bank Bonds	(320,032)	320,032
GASB Statement No. 3	<u>\$5,731,358</u>	<u>\$8,735,204</u>

**6. PROPERTY TAXES**

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

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

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 by September 20.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, and for which there is an enforceable legal claim. 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, nor are they intended to finance 2004 operations. The receivable is therefore offset by deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2004, was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$586,506,950	55.24%
Other Real Property	164,818,480	15.52
Tangible Personal Property	267,737,780	25.22
Public Utility Personal Property	42,674,580	4.02
Total Assessed Value	<u>\$1,061,737,790</u>	<u>100.00%</u>

**7. PERMISSIVE SALES AND USE TAX**

The County Commissioners, by resolution, imposed a 1.5 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 and use tax were credited to the General Fund, the Auto License and Gas Fund and the Bond Retirement Fund during 2004. During 2004, the Board of County Commissioners changed the allocation percentage of the permissive sales tax among the funds. During 2004, the County used the Permanent Improvement Capital Projects Fund's share of the tax to pay off the Job and Family Services Building note from the Bond Retirement Fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2004. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2004 amounted to \$4,110,763 in the General Fund, \$2,460,203 in the Auto License and Gas Fund and \$808,375 in the Bond Retirement Debt Service Fund, for a total of \$7,379,341.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. RECEIVABLES**

Receivables at December 31, 2004, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, accrued interest, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, notes, and loans. The special assessments receivable in the enterprise funds represent assessments to property owners for the new sewer system that have been assessed to property owners on the tax duplicate. Special assessments expected to be collected in more than one year for the County amount to \$752,495 for the Sewer Fund and \$49,544 for governmental funds. The County has \$58,399 delinquent special assessments at December 31, 2004.

All receivables are considered collectible in full, except Juvenile Court and Clerk of Courts. A summary of accounts receivable for Juvenile Court and Clerk of Courts, as well as other receivables owed to the County for all fund types is as follows:

	<b>Juvenile/ Probate Court Fines</b>	<b>Clerk of Court Fines</b>	<b>Other Receivables</b>	<b>Total Receivables</b>
Receivable	\$407,829	\$3,627,406	\$415,500	\$4,450,735
Allowance for Uncollectibles	(262,082)	(2,844,940)	0	(3,107,022)
Net Accounts Receivable	<u>\$145,747</u>	<u>\$782,466</u>	<u>\$415,500</u>	<u>\$1,343,713</u>

A summary of intergovernmental receivables follows:

**Governmental Activities**

Election Cost Reimbursement	\$19,046
Excess Law Library	48,568
Local Government	636,147
Local Government Revenue Assistance	106,775
Congregate Site and Home Delivered	4,683
Miscellaneous Reimbursements	2,971
Public Defender Reimbursement	35,091
Personal Property Exemption	58,341
Homestead and Rollback	334,409
Motor Vehicle License Tax	2,059,256
Electric Deregulation	37,772
Gasoline Tax	825,471
Excess IRP	48,483
CAFS	68,417
Waiver IV	5,264
Miscellaneous Public Assistance Reimbursements	5,328
Area Agency on Aging Transportation/Daycare	6,322
ODE Title VI-B	64,215
ODE Handicap Pre-School	43,549
ODE Title V	756
Title XX	21,081
CHIP-CDBG	5,160
Juvenile Accountability Grant	8,008
Prisoner Housing	22,591
Sheriff Fines	10,486
Jail Linkage	800
Immobilization fee	100
ODE Unit Funding	309,834
ODE Subsidy payments	39,987

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**8. RECEIVABLES (Continued)**

CHIP-HOME	\$7,435
Victims of Crime Assistance Grant	17,175
Cops in Schools Award	16,056
Care and Custody Grant	41,350
Community Corrections Act	25,510
SVAA Grant	32,356
Recycle Ohio Grant	3,801
Job and Family Services Underfunded	173,198
Children's Services Underfunded	132,147
CSEA Underfunded	17,248
Total Governmental Activities	<u>5,295,187</u>
<b>Enterprise Funds</b>	
Medicare Reimbursement	<u>351,889</u>
<b>Agency Funds</b>	
Library and Local Government	983,069
Local Government	1,317,732
Local Government Revenue Assistance	222,449
Homestead and Rollback	41,331
Electric Deregulation	29,622
Excess IRP	5,774
Motor Vehicle License Tax	666,732
Gasoline Tax	489,883
Hazard Mitigation Planning Grant	29,820
Homeland Security Equipment Grant	28,788
Personal Property Exemption	2,495
Ohio Bureau of Worker's Compensation Refund	12,960
Ohio Children's Trust	8,632
Well Child Direct Care Services	24,000
Public Health Infrastructure	49,936
Help Me Grow Grant	80,410
FAST Grant	17,554
Total Agency Funds	<u>4,011,187</u>
Total All Funds	<u>\$9,658,263</u>

**A. Notes and Loans Receivable**

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and downpayment assistance. Some of the notes require monthly payments at various interest rates for up to ten years, while other notes are deferred until the owner sells the house. At December 31, 2004, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$1,063,294. The County has an outstanding loan receivable from the Fair Board in the amount of \$22,500. The loan is an interest free loan that was issued in 1997. These amounts include \$896,945 and \$22,500 which are expected to be collected in more than one year.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**9. CAPITAL ASSETS**

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

	<u>Restated Balance at 12/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2004</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$521,770			\$521,770
Construction in Progress		\$327,949		327,949
Total Capital Assets Not Being Depreciated	<u>521,770</u>	<u>327,949</u>		<u>849,719</u>
Depreciable Capital Assets:				
Buildings	26,526,996	69,447		26,596,443
Equipment	1,330,779	98,034	(\$37,527)	1,391,286
Furniture and Fixtures	177,415			177,415
Vehicles	4,308,116	206,629	(240,786)	4,273,959
Infrastructure - Bridges	863,065	2,908,356		3,771,421
Total Depreciable Capital Assets	<u>33,206,371</u>	<u>3,282,466</u>	<u>(278,313)</u>	<u>36,210,524</u>
Less Accumulated Depreciation:				
Buildings	(6,502,657)	(646,127)		(7,148,784)
Equipment	(963,012)	(91,250)	24,255	(1,030,007)
Furniture and Fixtures	(90,233)	(14,062)		(104,295)
Vehicles	(2,851,226)	(313,543)	194,071	(2,970,698)
Infrastructure - Bridges	(8,990)	(51,872)		(60,862)
Total Accumulated Depreciation	<u>(10,416,118)</u>	<u>(1,116,854)</u>	<u>218,326</u>	<u>(11,314,646)</u>
Depreciable Capital Assets, Net	<u>22,790,253</u>	<u>2,165,612</u>	<u>(59,987)</u>	<u>24,895,878</u>
Governmental Activities Capital Assets, Net	<u>\$23,312,023</u>	<u>\$2,493,561</u>	<u>(\$59,987)</u>	<u>\$25,745,597</u>



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<u>Balance At 12/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2004</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$458,746			\$458,746
Depreciable Capital Assets:				
Buildings	2,990,966			2,990,966
Equipment	206,718			206,718
Furniture and Fixtures	18,000			18,000
Vehicles	498,903	\$20,350	(\$38,741)	480,512
Infrastructure	7,952,725			7,952,725
Total Depreciable Capital Assets	<u>11,667,312</u>	<u>20,350</u>	<u>(38,741)</u>	<u>11,648,921</u>
Total Capital Assets At Historical Cost	<u>12,126,058</u>	<u>20,350</u>	<u>(38,741)</u>	<u>12,107,667</u>
Less Accumulated Depreciation:				
Buildings	(834,554)	(48,540)		(883,094)
Machinery and Equipment	(159,428)	(5,713)		(165,141)
Furniture and Fixtures	(6,938)	(2,250)		(9,188)
Vehicles	(314,780)	(57,529)	38,741	(333,568)
Infrastructure	(1,737,803)	(178,302)		(1,916,105)
Total Accumulated Depreciation	<u>(3,053,503)</u>	<u>(292,334)</u>	<u>38,741</u>	<u>(3,307,096)</u>
Depreciable Capital Assets, Net	<u>8,613,809</u>	<u>(271,984)</u>		<u>8,341,825</u>
Business-Type Activities Capital Assets, Net	<u>\$9,072,555</u>	<u>(\$271,984)</u>	<u>\$0</u>	<u>\$8,800,571</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$125,766
General Government - Judicial	49,946
Public Safety	392,756
Public Works	282,789
Health	12,280
Human Services	249,522
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$1,116,854</u>

**10. RISK MANAGEMENT**

**A. Insurance**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2004, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

Coverages provided by the insurance pool are as follows:

Liability:	
(A) General, Auto, Law, and Nursing Home	
Liability Combined (per occurrence)	\$7,000,000
Aggregate	\$7,000,000
(B) Public Official Errors and Omissions	
Liability (per occurrence – included above)	7,000,000
Aggregate	7,000,000
Property	62,106,000
Flood and Earthquake	35,000,000
Boiler and Machinery	30,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There has been no material change in this coverage from the prior year.

**B. Health Care Benefits**

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 24). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

**C. Workers' Compensation**

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2004, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 23). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$1,380,837, \$1,274,559, \$1,471,114, respectively; 90.12 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$12,755 made by the County and \$8,002 made by the plan members.

**B. State Teachers Retirement System of Ohio**

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

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

For the year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2003. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

The County's required contributions for pension obligations to the DB Plan for the years ended June 30, 2004, 2003, and 2002 were \$86,190, \$117,363, and \$77,121 respectively; 97.3 percent has been contributed for fiscal year 2004 and 100 percent for 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,644 made by the plan members and \$0 by the County.

**12. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1.00 percent to 6 percent for the next 8 years. In the 9<sup>th</sup> year and beyond, health care costs were assumed to increase at 4.00 annually (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$565,350. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**B. State Teachers Retirement System of Ohio**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2004, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$6,630 for 2004.

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

**13. OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**B. Compensated Absences**

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less or more than the required amount for the pay period shall receive a pro-rated share of sick leave. Any County employee who has 10 years of service as an employee of any office, department, commission, or board of Shelby County, will be paid for 25 percent of the value of his accrued but unused sick leave up to a maximum of 240 hours.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**14. LEASES**

**A. Operating Leases**

The County leases copiers and equipment for the Juvenile Court, Clerk of Courts, Probate Court, Board of Elections and Fair Haven under non-cancelable-operating leases. Total costs were \$6,838 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	
2005	\$8,252
2006	4,404
2007	2,357
Total	<u>\$15,013</u>

**B. Capital Leases**

During 2004, the County entered into capitalized leases for copiers in the amount of \$27,300. The terms of these agreements provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new leases have been recorded as "Other Financing Sources – Inception of Capital Lease" in the basic financial statements for the governmental funds.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2004 totaled \$16,350.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$82,308, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at December 31, 2004, was \$26,075 and the carrying value was \$56,233. During 2004, the County replaced a copier under lease with another lease before the end of the lease term. The remaining obligation on the lease and the book value of the asset, both \$9,078, were removed from the statement of net assets. For business-type activities, capital assets have been capitalized in the amount of \$16,390. Accumulated depreciation on these assets at December 31, 2004, was \$6,829 and the carrying value was \$9,561.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

Fiscal Year Ending June 30,	Governmental Activities Amounts	Business-Type Activities Amounts
2005	\$21,577	\$6,608
2006	11,747	6,607
2007	6,285	6,608
2008	6,283	0
2009	3,534	0
Total	49,426	19,823
Less: Amount Representing Interest	(4,649)	(7,180)
Present Value of Net Minimum Lease Payments	\$44,777	\$12,643

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**15. LONG-TERM DEBT OBLIGATIONS**

The changes in the County's governmental activities obligations for the year consist of the following:

	<b>Balance at 12/31/03</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 12/31/04</b>	<b>Due Within One Year</b>
<b>Notes Payable:</b>					
2002 Job and Family Services Building General Obligation Note – 1.48%	\$1,000,000	\$0	\$1,000,000	\$0	\$0
2003 Elliot Ditch Special Assessment Bond Anticipation Note – 3.25%	14,100	0	2,820	11,280	2,820
Total Notes Payable	<u>1,014,100</u>	<u>0</u>	<u>1,002,820</u>	<u>11,280</u>	<u>2,820</u>
<b>OWDA Loan Payable:</b>					
1992 Meadowlane – 7.62%	39,864	0	3,799	36,065	2,044
<b>General Obligation Bonds Payable:</b>					
2002 MRDD Series A Bonds – 3.34%	\$895,000	\$0	\$895,000	\$0	\$0
2002 MRDD Series B Bonds – 3.34%	1,542,000	0	1,542,000	0	0
2004 MRDD Series A Refunding Bonds – 4.75%	0	689,000	0	689,000	55,000
2004 MRDD Series B Refunding Bonds - 4.75%	0	1,194,000	0	1,194,000	96,000
Total Bonds Payable	<u>2,437,000</u>	<u>1,883,000</u>	<u>2,437,000</u>	<u>1,883,000</u>	<u>151,000</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	1,253,773	759,707	620,089	1,393,391	117,746
Obligations Under Capital Lease	42,905	27,300	25,428	44,777	19,218
Total Other Long-Term Obligations	<u>1,296,678</u>	<u>787,007</u>	<u>645,517</u>	<u>1,438,168</u>	<u>136,964</u>
Total Governmental Activities	<u>\$4,787,642</u>	<u>\$2,670,007</u>	<u>\$4,089,136</u>	<u>\$3,368,513</u>	<u>\$292,828</u>

The Job and Family Services Building General Obligation Note was issued on February 28, 2002, in the amount of \$1,000,000 for the purpose of paying the cost of constructing a building to house the Department of Job and Family Services and was rolled over on February 28, 2003. The note matured on February 26, 2004 and was repaid from the Bond Retirement Debt Service Fund.

The Elliot Ditch Special Assessment Bond Anticipation Note was issued on March 18, 2003, in the amount of \$14,100. The note was issued at a 3.25 interest rate and will reach maturity on March 18, 2008. The note is being repaid from the Bond Retirement Debt Service Fund.

The OWDA loan is a twenty year loan that was issued in 1992, in the amount of \$69,067 for the purpose of making improvements to Meadowlane Sewer. This loan is being repaid from the Bond Retirement Debt Service Fund, using special assessments.

The MRDD Series A Bonds were issued on December 1, 2002, in the amount of \$1,100,000 for the purpose of constructing an addition to, and improving, furnishing, equipping, and landscaping the County owned Shelby Hill Early Childhood Center, and improving the County owned Early Intervention Center. The MRDD Series B Bonds were issued on December 1, 2002, in the amount of \$1,881,000 for the purpose of constructing an addition to, and furnishing, equipping, and landscaping the County owned S and H Products, Plant 2.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**15. LONG-TERM DEBT OBLIGATIONS (Continued)**

On December 1, 2004, the County issued \$689,000 MRDD Series A Refunding Bonds and \$1,194,000 MRDD Series B Refunding Bonds for the purpose of extending the maturity of the MRDD bonds by seven years. The bonds were issued at a rate of 4.75 percent and have a final maturity on December 1, 2014. They are general obligation serial bonds and will be repaid from the Bond Retirement Debt Service Fund. An analysis of the current refunding follows:

Outstanding at 12/31/03	\$2,437,000
Principal Paid Prior to Refunding	<u>(566,000)</u>
Amount Refunded	<u>\$1,871,000</u>

As a result of the current refunding, the County increased its total debt service payments by \$411,211. The County also incurred an economic loss (difference between the present values of the old and new debt service payments) of \$98,506.

Compensated absences will be paid from the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, and MRDD Fund, as well as the Dog and Kennel, Other Public Works, Other Legislative and Executive, Other Judicial, Other Public Safety, and Other Human Services non-major funds. Capital lease obligations will be paid from the General Fund and the Public Assistance Fund.

Changes in the long-term obligations reported in the Business Type Activities during 2004 were as follows:

	Balance at 12/31/03	Increases	Decreases	Balance at 12/31/04	Due Within One Year
<b>Loans Payable:</b>					
1998 OPWC Loan – 0.00%	\$54,375	0	3,750	50,625	1,875
1991 OWDA Loan – 7.59%	1,908,276	0	216,573	1,691,703	116,506
Total Loans	1,962,651	\$	\$220,323	\$1,742,328	\$118,381
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	260,697	240,675	221,481	279,891	25,562
Obligations Under Capital Lease	14,811	0	2,168	12,643	2,973
Total Other Long-Term Obligations	275,508	240,675	223,649	292,534	28,535
Total Business Type Obligations	\$2,238,159	\$240,675	\$443,972	\$2,034,862	\$146,916

The OPWC loan is a twenty year loan that was issued in the amount of \$75,000 for the purpose of making improvements to the Arrowhead Hills Water System. The OWDA loan is a twenty year loan that was issued in the amount of \$3,659,308 for the purpose of making improvements to the Loramie Sewer District. The OPWC loan will be paid from the Sewer Enterprise Fund's operating revenues and the OWDA loan will be repaid from special assessments received within the Sewer Enterprise Fund.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2004, are an overall debt margin of \$23,174,151 and an unvoted debt margin of \$8,748,084. The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**15. LONG-TERM DEBT OBLIGATIONS (Continued)**

<b>Governmental Activities</b>						
<b>Year</b>	<b>Elliot Ditch Special Assessment Note</b>		<b>General Obligation OWDA Loan</b>		<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$2,820	\$183	\$2,044	\$1,262	\$151,000	\$89,443
2006	2,820	275	4,245	2,381	159,000	82,270
2007	2,820	367	4,568	2,084	166,000	74,718
2008	2,820	458	4,916	1,764	174,000	66,832
2009	0	0	5,291	1,420	183,000	58,566
2010-2014	0	0	15,001	1,923	1,050,000	154,235
<b>Totals</b>	<b>\$11,280</b>	<b>\$1,283</b>	<b>\$36,065</b>	<b>\$10,834</b>	<b>\$1,883,000</b>	<b>\$526,064</b>

<b>Business-Type Activities</b>				
<b>Year</b>	<b>OWDA Loan</b>		<b>OPWC Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$116,506	\$64,200	\$1,875	\$0
2006	241,854	110,264	3,750	0
2007	260,210	93,334	3,750	0
2008	279,960	75,119	3,750	0
2009	301,210	55,522	3,750	0
2010-2014	491,964	46,261	18,750	0
2015-2018	0	0	15,000	0
<b>Totals</b>	<b>\$1,691,704</b>	<b>\$444,700</b>	<b>\$50,625</b>	<b>\$0</b>

**A. CONDUIT DEBT**

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,295,000 outstanding at December 31, 2004, for the Series A bond issue and \$4,000,000 outstanding for the Series B bond issue. Another health care facilities revenue bond was issued in 1997 with the principal amount of \$39,335,000 outstanding at December 31, 2004. During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,690,000 outstanding at December 31, 2004. During 2002, health care facilities revenue bonds were issued with the principal amount of \$46,390,000 outstanding at December 31, 2004. All of these bond issues were for facilities used by the Dorothy Love Retirement Community. The County is not obligated in any way to pay debt charges on the bond from any of its funds, and therefore it has been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

The County issued hospital revenue bonds in 1992, 1996, and 1997 with the principal amount of \$8,470,000, \$3,046,642, and \$1,596,900 outstanding, respectively, at December 31, 2004. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**16. SHORT TERM OBLIGATIONS**

On October 9, 2003, the County received a \$200,000 loan from S and H Products for the renovation of the S and H Products Plant as a permanent location for the Services and Supports Department. The interest rate on the loan is 4 percent. The balance on the loan at December 31, 2003 was \$150,000 and a principal payment of \$25,000 was made during 2004. The loan is a liability of the MRDD Fund since this is the fund that received the proceeds. It is being repaid from the MRDD fund. The balance at December 31, 2004 was \$125,000.

On July 13, 2004, the County issued property tax anticipation notes for the purpose of providing adequate operating funds for the MRDD Fund. The first note was issued in the amount of \$352,000 and had an interest rate of 3.25 percent and a maturity date of September 3, 2004. The second note was issued in the amount of \$352,000 and had an interest rate of 3.5 percent and a maturity date of December 3, 2004. Proceeds of the notes were receipted into the MRDD Fund and the notes were repaid, with interest, from the Bond Retirement Fund, using property tax revenue.

On December 1, 2004, the County issued a property tax anticipation note in the amount of \$500,000 for the purpose of providing adequate operating funds for the MRDD Fund. The note carries an interest rate of 3.62 percent and a maturity date of April 1, 2005. Proceeds of the notes were receipted into the MRDD Fund. The notes will be repaid from the Bond Retirement Fund using property tax revenues. The balance on the notes at December 31, 2004 was \$500,000.

**17. INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2004, consist of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. \$23,986 of the General Fund interfund receivable is not expected to be paid within one year and \$82,145 of the non-major governmental funds interfund receivable is not expected to be paid within a year. All other interfund receivables are expected to be paid within one year.

	<b>Interfund Receivable</b>					<b>Total</b>
	<b>General Fund</b>	<b>Public Assistance Fund</b>	<b>Auto License and Gas Fund</b>	<b>MRDD Fund</b>	<b>Non-major Governmental Funds</b>	
<b>Interfund Payable</b>						
General Fund	\$0	\$0	\$10,463	\$0	\$55,500	\$65,963
Public Assistance Fund	0	0	0	0	10,219	10,219
MRDD Fund	0	0	4,364	0	0	4,364
Bond Retirement	1,820	0	0	0	0	1,820
Nonmajor						
Governmental Funds	35,607	48,877	253	131,500	20,588	236,825
Sewer Fund	0	0	350	0	6,337	6,687
<b>Total</b>	<b>\$37,427</b>	<b>\$48,877</b>	<b>\$15,430</b>	<b>\$131,500</b>	<b>\$92,644</b>	<b>\$325,878</b>

The additional amount of interfund payables is due to enterprise funds. The General Fund and the non-major governmental funds had interfund payables to the Sewer Fund and Recycling Fund in the amounts of \$23 and \$9,000, respectively.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**17. INTERFUND TRANSACTIONS (Continued)**

The General Fund had transfers out equal to \$403,644. Out of total transfers out, \$211,169 was to the Public Assistance Special Revenue Fund; \$170,436 was to the Children's Services Special Revenue Fund and \$22,039 was to subsidize various programs. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The Permanent Improvement Capital Projects Fund transferred \$198,697 to the Sewer Enterprise Fund for Sewer improvements, and \$206,384 to the Bond Retirement Debt Service Fund for the payoff of the Job and Family Services Building Note. Among non-major funds, the Ditch Construction Capital Projects Fund transferred \$3,538 to the Other Public Works Special Revenue Fund for amounts in excess of the project costs.

**18. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2004, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/04</u>
Burgess and Niple	Road and Bridge Projects	\$116,200	\$91,965	\$24,235
Choice One Engineering	Road and Bridge Projects	160,631	133,051	27,580
Eagle Bridge	Road and Bridge Projects	403,398	289,976	113,422
Righter and Company	Road and Bridge Projects	389,188	367,509	21,679
Westereide Developers	Salt Storage Building	521,015	327,949	193,066
Totals		<u>\$1,590,432</u>	<u>\$1,210,450</u>	<u>\$379,982</u>

**19. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT**

**A. Nature of Organization**

S and H Products is a non-profit sheltered workshop providing residential, vocational, habilitation and family resource services to mentally retarded and developmentally disabled adults in Shelby County and other counties. S and H Products is primarily funded by the Shelby County Board of MRDD as disclosed in Note 25.

S and H Products is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of the Thomas Edison Center became subject to social security (FICA) coverage due to the Social Security Amendments of 1983. S and H Products operates on a fiscal year which ran from July 1, 2003, to June 30, 2004.

**B. Classification of Net Assets**

Unrestricted net assets are comprised of the amount upon which donors have placed no restriction on expenditure of these assets themselves or their investment income.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**19. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted capital assets are released to unrestricted net assets and are reported in the statement of activities and changes in net assets.

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At December 31, 2004, all of the assets of the component unit are unrestricted, except for \$102,474 that is invested in capital assets, net of related debt.

**C. Deposits and Investments**

Cash and cash equivalents held by S and H Products are classified as "Cash and Cash Equivalents in Segregated Accounts" on the statement of net assets. This includes cash and any investment with an original maturity of three months or less. Investments held by S and H Products are classified as "Investment in Segregated Accounts."

At year-end, the carrying amount of deposits for S and H Products was \$182,282 and the bank balance was \$184,177. Of the bank balance, \$168,228 was covered by federal depository insurance. The remaining \$15,949 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

During 2004, S and H Products invested in mutual funds, which are a category 2 investment. At year-end, the fair value of the mutual fund investments was \$196,612. Except for nonparticipating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value is determined by the fund's current share price.

A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$105,690	\$273,454
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	76,842	(76,842)
GASB Statement No. 3	\$182,282	\$196,612

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**19. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

**D. Capital Assets**

A summary of S and H Products capital assets at December 31, 2004, follows:

Leasehold Improvements	\$15,277
Shop and Office Equipment	179,626
Transportation Equipment	95,958
Total Capital Assets Being Depreciated	<u>290,861</u>
Less Accumulated Depreciation	<u>(188,387)</u>
Total Capital Assets, Net	<u>\$102,474</u>

It is the component unit's policy to capitalize all assets in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over an estimated useful life of 25 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to \$31,542.

**E. Segment Information**

Net working capital for S and H Products was \$483,808. During 2004, S and H Products acquired capital assets in the amount of \$3,751 and disposed of capital assets in the amount of \$42,000. Other segment information can be obtained in the combined financial statements.

**F. Related Party Transactions**

S&H Products received \$3,200 from Shelby County for goods and services provided during fiscal year 2004. Shelby County provided facilities, equipment, transportation and salaries for administration, implementation, and supervision programs to S&H Products during fiscal year 2004 with an estimated value of \$243,552. This amount and the corresponding expenditure are reflected in the financial statements.

**G. Related Party Loan**

In August of 2003, S&H Products advanced \$200,000 to the Shelby County Board of Mental Retardation and Developmental Disabilities Board (SCMRDD). This loan was to be repaid in quarterly installments of \$25,000 plus interest at a rate of 4 percent. The balance of the loan at June 30, 2004 was \$125,000.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**20. JOINT VENTURES**

**A. Shelby County Office of Homeland Security**

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2004, the County contributed \$70,000 (57 percent) of total revenue for the operation of the agency. The agency is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The agency is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Tom Cisco, Director, located at 800 Fair Road, Sidney, Ohio 45365.

**B. Shelby County Regional Planning Commission**

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2004, the County contributed \$18,211 to the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Gary Bensman, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

**21. JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri County Board of Recovery and Mental Health Services**

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Shelby, Miami and Darke counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**21. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2004, a tax levy provided \$627,814 (27 percent of total tax revenue) for the operations of the organization.

**B. West Central Partnership, Inc.**

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Darke, Hancock, Hardin, Mercer, Miami, Logan, Paulding, Putnam, Shelby, Union and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and locally raised money. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. Shelby County made several payments totaling \$147,974 to the Partnership during 2004.

**C. North Central Ohio Solid Waste Management District**

The North Central Ohio Solid Waste Management District (the District) is a jointly governed organization among Shelby, Allen, Champaign, Hardin, Marion, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. During 2004, Shelby County made no payments to the District for solid waste fees. Allen County serves as fiscal agent for the District. Complete financial statements can be obtained from the District, Allen County, Ohio.

**22. RELATED ORGANIZATION**

**A. The Shelby Metropolitan Housing Authority**

The Shelby Metropolitan Housing Authority (SMHA) is a related organization of Shelby County. The SMHA is a legally separate body politic. The majority of the SMHA Board is appointed by Shelby County. The SMHA Board is composed of five representatives, who include: one member appointed by the Shelby County Common Pleas Court Judge; one member appointed by the Shelby County Commissioners; one member appointed by the Shelby County Probate Court Judge; and two members appointed by the Mayor of Sidney. The County is not able to impose its will on the SMHA and no financial benefit and/or burden relationship exists. The SMHA is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The general purpose of the SMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. During 2004, the County did not have any financial contributions to the operation of the SMHA.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**23. INSURANCE POOLS**

**A. The County Commissioners' Association of Ohio Service Corporation**

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 Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as an insurance 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 eligibility 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 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. During 2004, the County did not have any financial contributions to the operation of the CCAOSC.

**24. RISK SHARING POOLS**

**A. Mid West Pool Risk Management Agency, Inc.**

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing a risk-sharing insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Pool. Coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' error 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 Pool are managed by an elected board of not more than five 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 budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

**B. Midwest Employee Benefit Consortium**

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties. The MEBC is responsible for the administration of the program and processing of all claims for each member. The County pays premiums to the MEBC for employee medical and life insurance benefits.

The MEBC is governed by a Board of Trustees consisting of one county commissioner from each participating member. Each participant decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the MEBC is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**25. RELATED PARTY TRANSACTIONS**

S and H Products, a discretely presented component unit of Shelby County, has entered into a contractual agreement with the Shelby County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The MRDD provides the workshop with personnel who provide habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of S and H Products.

The additional income and related expenses are reflected in the financial statements of the component unit. In 2004, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were \$243,552. In other transactions with Shelby County, S and H Products received \$3,200 from the County for goods and services. The County received a short-term loan from S and H Products in 2003 in the amount of \$200,000. The balance of the loan at December 31, 2004 is \$125,000, as disclosed in Note 16.

**26. CONTINGENCIES**

**A. Litigation**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**B. Grants**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

**27. SUBSEQUENT EVENTS**

On January 27, 2005, the Ohio Water Development Authority approved a loan agreement with Shelby County for the design of the McCartyville Sewer and Lake Loramie Flow Equalization Projects. The total amount approved for the loan is \$265,000, which will be drawn by the County as the work on the projects is done. The loan will begin to be paid back along with 5% interest after the project is completed. As of the date of these financial statements, the County has received \$37,522 of the \$265,000 from the loan.

On April 1, 2005, the \$500,000 MRDD property tax anticipation note was paid off along with interest of \$6,033.

On July 7, 2005, the County issued notes for the purpose of vegetation removal and reconstruction of the Platvoet Ditch for \$115,927.39. The notes have an interest rate of 3.55% and will mature December 1, 2010.

On August 1, 2005, the County issued \$750,000 in bond anticipation notes to acquire land. The note has an interest rate of 3% and will mature August 1, 2006.

**SHELBY COUNTY  
FINANCIAL CONDITION**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grant	B-C-03-070-1	14.228	\$38,892
	B-E-03-070-1		491,543
	B-F-02-070-1		5,615
	B-F-03-070-1		102,000
Total Community Development Block Grant			<u>638,050</u>
Home Investment Partnership Program	B-C-01-070-2	14.239	38,610
	B-C-03-070-2		66,841
Total Home Investment Partnership Program			<u>105,451</u>
Total U.S. Department of Housing and Urban Development			<u><b>743,501</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Bullet Proof Vest Grant	N/A	16.607	15,280
Victims of Crime Act	N/A	16.575	22,897
Cops in School	2002SHWX0547	16.710	61,468
Total U.S. Department of Justice			<u><b>99,645</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Cluster:			
Title VI-B - Special Education Grants to States	071159-6B-SF-04P	84.027	44,677
	071159-6B-SF-05P		30,751
Total Special Education Grants to States			<u>75,428</u>
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-04P	84.173	40,507
	071159-PG-SI-05P		22,407
Total Special Education Preschool Grants			<u>62,914</u>
Total Special Education Cluster			<u>138,342</u>
Child Progress Indicator Grant	071159-PG-D72003P	84.173A	457
Title V - Innovative Educational Program Strategies	071159-C2-S1-2004	84.298	844
	071159-C2-S1-2005		632
Total Innovative Educational Program Strategies			<u>1,476</u>
Total U.S. Department of Education			<u><b>140,275</b></u>

(Continued)

**SHELBY COUNTY  
FINANCIAL CONDITION**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Reed Act	N/A	17.225	20,841
Workforce Investment Act Cluster:			
Workforce Investment Act-Adult	N/A	17.258	64,809
Workforce Investment Act-Adult Administrative			2,920
Workforce Investment Act-Adult Total			<u>67,729</u>
Workforce Investment Act-Youth	N/A	17.259	97,190
Workforce Investment Act-Youth Administrative			6,190
Workforce Investment Act-Youth Total			<u>103,380</u>
Workforce Investment Act-Dislocated	N/A	17.260	71,577
Workforce Investment Act-Dislocated Administrative			4,177
Workforce Investment Act-Dislocated Total			<u>75,754</u>
Total Workforce Investment Act Cluster			<u>246,863</u>
Total U.S. Department of Labor			<u><b>267,704</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Family Preservation and Support Services Grant	N/A	93.556	34,468
Title IV-B - Child Welfare Services State Grants	N/A	93.645	52,413
<i>(Passed Through Area Agency on Aging):</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	36,847
Title III-C - Special Programs for the Aging	N/A	93.045	80,777
Nutrition Service Incentive Program	N/A	93.053	15,602
<i>(Passed Through Ohio Department of Mental Ret. and Dev. Disabilities):</i>			
Title XX - Social Services Block Grant	MR-75-FY04	93.667	21,132
	MR-75-FY05		21,272
Total Title XX - Social Services Block Grant			<u>42,404</u>
State Children's Insurance Program	N/A	93.767	6,639
Medicaid (Medical Assistance Programs)	7500010-CY97	93.778	45,067
	7500010-CY99		42,760
	7500010-CY03		127,800
	7500010-CY04		133,158
Total Medicaid (Medical Assistance Programs)			<u>348,785</u>
Total U.S. Department of Health and Human Services			<u><b>617,935</b></u>
<b>U.S. GENERAL SERVICES ADMINISTRATION (ON BEHALF OF THE ELECTION ASSISTANCE COMMISSIONS)</b>			
<i>(Passed through the Ohio Secretary of State)</i>			
Help America Vote Act of 2002	PL 107-252	39.011	<u><b>7,444</b></u>
<b>Total</b>			<u><b>\$1,876,504</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

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

**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 - SUBRECIPIENTS**

The County passes-through certain Federal assistance received from Ohio Department of Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. At December 31, 2004, the amount of outstanding loans under this program was \$1,063,294.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - COMMINGLING**

Federal funds received from Workforce Investment Act, Medicaid, Area Agency on Aging programs, and Victims of Crime Act were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.

**NOTE F - RECEIPTS NOT RECORDED BY THE COUNTY UNTIL 2005**

Federal expenditures reported for the Nutrition Service Incentive Program, Title III-B and Title III-C programs include amounts that were not recorded on the books of the County until 2005, but were deposited into the County's bank account in 2004. These are reimbursable programs, so the expenditures are properly reported in 2004. The amounts included in the federal expenditures and not recorded by the County until 2005 for Nutrition Service Incentive Program, Title III-B and Title III-C were \$4,004, \$3,035, and \$6,319, respectively.

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

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

County Commissioners  
County Auditor  
County Treasurer  
Shelby County  
129 East Court Street  
Sidney, Ohio 45365

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County) as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar, as it relates to the amounts included for the component unit, is based on the report of other auditors.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated August 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the County's management dated August 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Shelby County Financial Condition  
Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

August 31, 2005





## 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

County Commissioners  
County Auditor  
County Treasurer  
Shelby County  
129 East Court Street  
Sidney, Ohio 45365

#### Compliance

We have audited the compliance of Shelby County, (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, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

#### Internal Control Over Compliance

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

**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 31, 2005.

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



**Betty Montgomery**  
Auditor of State

August 31, 2005

**FINANCIAL CONDITION  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Medicaid CFDA 93.778 Community Development Block Grant CFDA 14.228
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 ' .315 (b)  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Illegal expenditures made from the Shelby County Area Transportation System.	Yes	Finding for recovery was repaid.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FINANCIAL CONDITION**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 4, 2005**