



**SHELBY COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

SHELBY COUNTY FINANCIAL CONDITION

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Commissioners:

We have audited the accompanying general-purpose financial statements of Shelby County, (the County) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of S & H Products which represents 100 percent of the assets and revenues of the component unit columns. Those financial statements were audited by another auditor whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for discretely presented component unit, is based 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Shelby County as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2001, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

July 12, 2001

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SHELBY COUNTY FINANCIAL CONDITION

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCREETLY PRESENTED COMPONENT UNIT
DECEMBER 31, 2000

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,502,099	\$7,690,770	\$73,488	\$1,602,119	\$760,989
Cash and Cash Equivalents in Segregated Accounts	2,581				5,157
Investments in Segregated Accounts					
Receivables:					
Taxes	2,592,402	2,714,602		194,336	
Accounts	126,364	62,898			350,944
Special Assessments		196,388	139,918		1,530,244
Accrued Interest	251,873	982			15
Due from Other Funds	153,488	29,764			57,710
Due from Other Governments	335,825	1,016,509			
Interfund Receivable	167,700	7,000		134,712	8,390
Advances Receivable	818,683			189,657	
Notes Receivable		750,630			
Loan Receivable	22,500				
Materials and Supplies Inventory	18,314	114,335			13,087
Prepaid Items	133,354	29,479			1,915
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					10,449,420
Other Debits:					
Amount Available in Special Assessment Bond Retirement Fund					
Amount to be Provided from General Government Resources					
Total Assets and Other Debits	<u>8,125,183</u>	<u>12,613,357</u>	<u>213,406</u>	<u>2,120,824</u>	<u>13,177,871</u>
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	125,808	341,170		44,425	127,261
Contracts Payable		64,829		148,684	
Retainage Payable				29,275	
Accrued Wages	223,301	257,910			180,940
Compensated Absences Payable	38,368	40,078			215,954
Due to Other Funds	62,752	34,162			249
Due to Other Governments	113,613	614,241			111,833
Interfund Payable	60,500	21,967		235,335	
Advances Payable					1,008,340
Deferred Revenue	2,047,905	2,512,715	139,918		
Undistributed Monies					
Capital Leases Payable					
OPWC Loan Payable					65,625
OWDA Loans Payable					2,470,563
Total Liabilities	<u>2,672,247</u>	<u>3,887,072</u>	<u>139,918</u>	<u>457,719</u>	<u>4,180,765</u>
Fund Equity and Other Credits:					
Investment in General Fixed Assets					
Contributed Capital					6,108,511
Retained Earnings:					
Unreserved					2,888,595
Fund Balance:					
Reserved for Encumbrances	142,750	492,901		228,652	
Reserved for Materials and Supplies Inventory	18,314	114,335			
Reserved for Unclaimed Monies					
Reserved for Advances Receivable	818,683			189,657	
Reserved for Notes Receivable		750,630			
Reserved for Loan Receivable	22,500				
Unreserved	4,450,689	7,368,419	73,488	1,244,796	
Total Fund Equity and Other Credits	<u>5,452,936</u>	<u>8,726,285</u>	<u>73,488</u>	<u>1,663,105</u>	<u>8,997,106</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$8,125,183</u>	<u>\$12,613,357</u>	<u>\$213,406</u>	<u>\$2,120,824</u>	<u>\$13,177,871</u>

See Notes to the General Purpose Financial Statements.

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
\$2,917,367			\$16,546,832		\$16,546,832
514,682			522,420	\$128,677	651,097
81,583			81,583	390,769	472,352
39,646,737			45,148,077		45,148,077
824,321			1,364,527	59,383	1,423,910
2,891,349			4,757,899		4,757,899
			252,870	3,759	256,629
3,150			244,112		244,112
706,135			2,058,469		2,058,469
			317,802		317,802
			1,008,340		1,008,340
			750,630		750,630
			22,500		22,500
			145,736		145,736
			164,748		164,748
	\$27,042,073		37,491,493	267,438	37,758,931
		\$49,722	49,722		49,722
		1,371,625	1,371,625		1,371,625
<u>47,585,324</u>	<u>27,042,073</u>	<u>1,421,347</u>	<u>112,299,385</u>	<u>850,026</u>	<u>113,149,411</u>
730			639,394	41,040	680,434
			213,513		213,513
			29,275		29,275
			662,151	10,841	672,992
		1,062,648	1,357,048		1,357,048
146,949			244,112		244,112
44,491,861		254,132	45,585,680	1,919	45,587,599
			317,802		317,802
			1,008,340		1,008,340
			4,700,538		4,700,538
2,905,114			2,905,114		2,905,114
		54,845	54,845		54,845
			65,625		65,625
		49,722	2,520,285		2,520,285
<u>47,544,654</u>		<u>1,421,347</u>	<u>60,303,722</u>	<u>53,800</u>	<u>60,357,522</u>
	27,042,073		27,042,073		27,042,073
			6,108,511	75,541	6,184,052
			2,888,595	720,685	3,609,280
454			864,757		864,757
			132,649		132,649
7,277			7,277		7,277
			1,008,340		1,008,340
			750,630		750,630
			22,500		22,500
32,939			13,170,331		13,170,331
<u>40,670</u>	<u>27,042,073</u>		<u>51,995,663</u>	<u>796,226</u>	<u>52,791,889</u>
<u>\$47,585,324</u>	<u>\$27,042,073</u>	<u>\$1,421,347</u>	<u>\$112,299,385</u>	<u>\$850,026</u>	<u>\$113,149,411</u>

SHELBY COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property and Other Taxes	\$1,926,939	\$2,315,678				\$4,242,617
Permissive Sales Tax	3,188,893	2,117,866		\$1,137,965		6,444,724
Intergovernmental	2,119,516	10,272,918				12,392,434
Charges for Services	2,540,811	1,151,920				3,692,731
Licenses and Permits	3,970	99,888				103,858
Fines and Forfeitures	152,287	57,185				209,472
Special Assessments	0	209,394	\$35,283	9,552		254,229
Interest	1,191,201	34,871				1,226,072
Increase in Fair Value of Investments	152,449					152,449
Other	374,803	297,596		4,446	\$13,982	690,827
Total Revenues	11,650,869	16,557,316	35,283	1,151,963	13,982	29,409,413
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,022,989	468,314			421	3,491,724
Judicial	1,695,550	212,005				1,907,555
Public Safety	3,507,214	189,909				3,697,123
Public Works	920,680	5,731,106				6,651,786
Health	64,241	91,073				155,314
Human Services	752,042	9,381,707			11,070	10,144,819
Economic Development and Assistance	0	608,777				608,777
Intergovernmental	496,726					496,726
Capital Outlay	40,571			1,480,907		1,521,478
Debt Service:						
Principal Retirement	9,010		2,832			11,842
Interest and Fiscal Charges	1,091		4,005			5,096
Total Expenditures	10,510,114	16,682,891	6,837	1,480,907	11,491	28,692,240
Excess of Revenues Over (Under) Expenditures	1,140,755	(125,575)	28,446	(328,944)	2,491	717,173
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	25,757					25,757
Inception of Capital Lease	40,571					40,571
Operating Transfers - In	560	631,976				632,536
Operating Transfers - Out	(466,838)	(150,000)		(15,698)		(632,536)
Total Other Financing Sources (Uses)	(399,950)	481,976		(15,698)		66,328
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	740,805	356,401	28,446	(344,642)	2,491	783,501
Fund Balances at Beginning of Year	4,705,349	8,389,761	45,042	2,007,747	38,179	15,186,078
Increase (Decrease) in Reserve for Inventory	6,782	(19,877)				(13,095)
Fund Balances at End of Year	\$5,452,936	\$8,726,285	\$73,488	\$1,663,105	\$40,670	\$15,956,484

See Notes to the General Purpose Financial Statements.

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SHELBY COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON GAAP BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$1,939,230	\$1,924,366	(\$14,864)	\$2,341,591	\$2,315,686	(\$25,905)
Permissive Sales Tax	3,080,000	3,138,539	58,539	1,900,000	2,093,929	193,929
Intergovernmental	2,106,048	2,065,462	(40,586)	10,032,571	9,061,540	(971,031)
Charges for Services	2,233,110	2,581,204	348,094	1,090,156	1,137,654	47,498
Licenses and Permits	5,410	3,970	(1,440)	101,215	97,100	(4,115)
Fines and Forfeitures	187,000	162,128	(24,872)	52,435	55,835	3,400
Special Assessments				214,558	209,394	(5,164)
Interest	945,600	1,154,957	209,357	26,650	35,233	8,583
Other	90,000	176,125	86,125	256,326	302,078	45,752
Total Revenues	10,586,398	11,206,751	620,353	16,015,502	15,308,449	(707,053)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,661,302	3,034,643	626,659	535,867	481,590	54,277
Judicial	1,809,303	1,760,860	48,443	391,244	209,667	181,577
Public Safety	3,586,601	3,572,102	14,499	218,583	193,486	25,097
Public Works	1,548,195	920,126	628,069	8,261,486	5,914,035	2,347,451
Health	92,559	88,527	4,032	93,478	91,420	2,058
Human Services	858,365	702,596	155,769	10,683,740	9,925,044	758,696
Economic Development and Assistance				348,749	327,562	21,187
Intergovernmental	512,851	509,226	3,625			
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	12,069,176	10,588,080	1,481,096	20,533,147	17,142,804	3,390,343
Excess of Revenues Over (Under) Expenditures	(1,482,778)	618,671	2,101,449	(4,517,645)	(1,834,355)	2,683,290
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets		25,757	25,757			
Advances - In	20,000	25,003	5,003	80,493	81,971	1,478
Advances - Out	(260,863)	(260,863)		(75,503)	(75,383)	120
Operating Transfers - In		560	560	1,182,138	631,976	(550,162)
Operating Transfers - Out	(466,838)	(466,838)		(150,000)	(150,000)	
Total Other Financing Sources (Uses)	(707,701)	(676,381)	31,320	1,037,128	488,564	(548,564)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,190,479)	(57,710)	2,132,769	(3,480,517)	(1,345,791)	2,134,726
Fund Balances at Beginning of Year	2,671,831	2,671,831		7,265,609	7,265,609	
Prior Year Encumbrances Appropriated	476,531	476,531		742,707	742,707	
Fund Balances at End of Year	\$957,883	\$3,090,652	\$2,132,769	\$4,527,799	\$6,662,525	\$2,134,726

See Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			\$1,100,000	\$1,121,180	\$21,180			
\$35,000	\$35,283	\$283	9,552	9,552				
				4,446	4,446	\$9,000	\$12,986	\$3,986
<u>35,000</u>	<u>35,283</u>	<u>283</u>	<u>1,109,552</u>	<u>1,135,178</u>	<u>25,626</u>	<u>9,000</u>	<u>12,986</u>	<u>3,986</u>
						19,113	421	18,692
						27,410	11,424	15,986
			2,814,990	1,661,504	1,153,486			
2,832	2,832							
4,005	4,005							
<u>6,837</u>	<u>6,837</u>		<u>2,814,990</u>	<u>1,661,504</u>	<u>1,153,486</u>	<u>46,523</u>	<u>11,845</u>	<u>34,678</u>
<u>28,163</u>	<u>28,446</u>	<u>283</u>	<u>(1,705,438)</u>	<u>(526,326)</u>	<u>1,179,112</u>	<u>(37,523)</u>	<u>1,141</u>	<u>38,664</u>
			15,292	15,292				
			(15,698)	(15,698)				
			(406)	(406)				
28,163	28,446	283	(1,705,844)	(526,732)	1,179,112	(37,523)	1,141	38,664
45,042	45,042		1,244,294	1,244,294		37,929	37,929	
			611,480	611,480		250	250	
<u>\$73,205</u>	<u>\$73,488</u>	<u>\$283</u>	<u>\$149,930</u>	<u>\$1,329,042</u>	<u>\$1,179,112</u>	<u>\$656</u>	<u>\$39,320</u>	<u>\$38,664</u>

SHELBY COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Unit</u>	
Operating Revenues:			
Sales	\$159,579	\$391,971	\$551,550
Charges for Services	5,944,182		5,944,182
Subsidy from County Board		4,511	4,511
Other	16,717		16,717
Total Operating Revenues	<u>6,120,478</u>	<u>396,482</u>	<u>6,516,960</u>
Operating Expenses:			
Personal Services	3,955,867	326,648	4,282,515
Contractual Services	869,848	8,773	878,621
Materials and Supplies	815,343	61,954	877,297
Other	325,519	2,332	327,851
Depreciation	329,862	32,648	362,510
Total Operating Expenses	<u>6,296,439</u>	<u>432,355</u>	<u>6,728,794</u>
Operating Loss	<u>(175,961)</u>	<u>(35,873)</u>	<u>(211,834)</u>
Non-Operating Revenues (Expenses):			
Interest	465	30,297	30,762
Unrealized Loss on Investment Securities		(7,843)	(7,843)
Contributions		50	50
Loss on Disposal of Fixed Assets	(727)		(727)
Miscellaneous Income		5,174	5,174
Employee Assistance		(13,551)	(13,551)
Subsidy from County Board		295,242	295,242
Interest and Fiscal Charges	(199,783)		(199,783)
Expenditures of Unrestricted Service Support		(295,242)	(295,242)
Total Non-Operating Revenues (Expenses)	<u>(200,045)</u>	<u>14,127</u>	<u>(185,918)</u>
Net Loss	(376,006)	(21,746)	(397,752)
Retained Earnings at Beginning of Year-Restated (Note 3)	<u>3,264,601</u>	<u>742,431</u>	<u>4,007,032</u>
Retained Earnings at End of Year	<u>\$2,888,595</u>	<u>\$720,685</u>	<u>\$3,609,280</u>

See Notes to the General Purpose Financial Statements.

SHELBY COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES
BUDGET (NON GAAP BASIS) AND ACTUAL - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$134,400	\$149,233	\$14,833
Charges for Services	5,921,768	5,871,916	(49,852)
Special Assessments	152,714	152,714	
Interest	500	439	(61)
Other	8,943	12,053	3,110
Total Revenues	6,218,325	6,186,355	(31,970)
Expenses:			
Personal Services	4,093,793	3,952,656	141,137
Contractual Services	1,008,346	948,075	60,271
Materials and Supplies	758,953	743,896	15,057
Other	350,999	332,276	18,723
Capital Outlay	521,822	443,867	77,955
Debt Service:			
Principal Retirement	165,378	165,378	
Interest and Fiscal Charges	199,783	199,783	
Total Expenses	7,099,074	6,785,931	313,143
 Excess of Revenues Under Expenses	 (880,749)	 (599,576)	 281,173
 Advances - In	 273,390	 222,370	 (51,020)
Advances - Out	(8,390)	(8,390)	
 Excess of Revenues Under Expenses and Advances	 (615,749)	 (385,596)	 230,153
 Fund Equity at Beginning of Year	 934,961	 934,961	
 Prior Year Encumbrances Appropriated	 80,725	 80,725	
Fund Equity at End of Year	\$399,937	\$630,090	\$230,153

See Notes to the General Purpose Financial Statements.

SHELBY COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Primary Government	Component Unit	Total Reporting Entity (Memorandum Only)
	Enterprise		
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received From Customers and Support	\$6,161,195	\$409,524	\$6,570,719
Cash Paid for Employee Services and Benefits	(3,952,656)	(316,278)	(4,268,934)
Cash Paid to Suppliers	(1,715,727)	(64,180)	(1,779,907)
Other Operating Receipts	16,806		16,806
Other Operating Expenses	(317,161)		(317,161)
Net Cash Provided by Operating Activities	192,457	29,066	221,523
Cash Flows from Noncapital Financing Activities:			
Contributions and Donations		50	50
Employee programs revenue and expense (net)		(7,887)	(7,887)
Advances - In	222,370		222,370
Advances - Out	(8,390)		(8,390)
Net Cash Provided by (Used in) Noncapital Financing Activities	213,980	(7,837)	206,143
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(356,261)	(78,541)	(434,802)
OWDA Loan Principal Payments	(161,628)		(161,628)
OPWC Loan Principal Payments	(3,750)		(3,750)
OWDA Loan Interest Payments	(199,783)		(199,783)
Net Cash Used in Capital and Related Financing Activities	(721,422)	(78,541)	(799,963)
Cash Flows from Investing Activities:			
Interest	460	28,971	29,431
Sale of Investments		332,635	332,635
Purchase of Investments		(252,670)	(252,670)
Net Cash Provided by Investing Activities	460	108,936	109,396
Net Increase (Decrease) in Cash and Cash Equivalents	(314,525)	51,624	(262,901)
Cash and Cash Equivalents at Beginning of Year	1,080,671	77,053	1,157,724
Cash and Cash Equivalents at End of Year	\$766,146	\$128,677	\$894,823
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating Loss	(\$175,961)	(\$35,873)	(\$211,834)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation	329,862	32,648	362,510
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(33,197)	(6,001)	(39,198)
Decrease in Special Assessments Receivable	150,527		150,527
Increase in Due from Other Funds	(48,690)		(48,690)
Increase in Materials and Supplies Inventory	(1,399)		(1,399)
Increase in Prepaid Items	(418)		(418)
Increase (Decrease) in Accounts Payable	(24,700)	37,612	12,912
Increase (Decrease) in Accrued Wages	17,415	(691)	16,724
Increase in Compensated Absences Payable	6,359		6,359
Increase in Due to Other Funds	214		214
Increase (Decrease) in Due to Other Governments	(16,438)	1,371	(15,067)
Decrease in Deferred Revenue	(11,117)		(11,117)
Net Cash Provided by Operating Activities	\$192,457	\$29,066	\$221,523

Non-Cash Transactions (Component Unit):

During 2000, S&H Products, the component unit, received fixed assets in the amount of \$77,238 as part of a grant.

See Notes to the General Purpose Financial Statements.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

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.

1. Primary Government

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.

2. Component Units

Component units are 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 their budget, the levying of their taxes or the issuance of their debt.

3. Discretely Presented Component Unit

The component unit column in the combined 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 20.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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.

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. 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 Disaster Services
- Shelby County Park District
- Shelby County Special Emergency Planning

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, a Related Organization, and an Insurance Purchasing Pool. The County's Joint Ventures, the Shelby County Emergency Management Agency (EMA) and the Shelby County Regional Planning Commission (the Commission), are presented in Note 21 of the general purpose 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) and the West Central Ohio Network (West Con), are presented in Note 22 of the general purpose 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 23. 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 Purchasing Pool, the County Commissioners' Association of Ohio Service Corporation (CCAOSC) is presented in Note 24 of the general purpose financial statements. An insurance purchasing pool is an organization with a group of governments to pool funds or resources to purchase commercial insurance policies.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

B. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

This fund is used to account for the accumulation of financial resources for, and the payment of, general long-term obligations principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds and trust funds).

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following are the County's fiduciary fund types:

Expendable Trust Funds

These funds are used to account for financial resources used for a specific purpose as stated in the individual trust agreements. These funds are accounted for in essentially the same manner as governmental funds.

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the enterprise funds.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is used to account for all long-term obligations of the County, except those accounted for in the enterprise funds.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

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 (FASB) statements issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below. Separate information for the discretely presented component unit can be found in Note 20.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the County is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: state-levied locally shared taxes (including gasoline tax), earnings on investments, sales tax, federal and state grants and entitlements, amounts due from private parties and businesses for funds borrowed, amounts due from other funds for goods, services, or prior advances, and charges for current services. Major revenue sources not susceptible to accrual include fines and forfeitures and licenses and permits which are not considered measurable until received.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts receivable and due from other funds, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2001 operations, have also been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due, and costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The enterprise funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners. Budgetary information has not been presented for the discretely presented component unit because it is not included in the entity for which the "appropriated budget" is adopted nor does the entity maintain separate budgetary records.

1. Tax Budget

A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

3. Appropriations

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

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year, however none of them were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

4. Budgeted Level of Expenditures/Expenses

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses.)

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the Non GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and expendable trust funds and reported in the notes to the financial statements for enterprise funds.

6. Lapsing of Appropriations

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

C. Cash and Cash Equivalents

Cash balances of the County's funds, except for cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

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 2000, the County invested in the following: repurchase agreements, United States Treasury Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association (FNMA) Bonds, and Federal Home Loan Mortgage Corporation (FHLMC) Bonds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$1,191,201 was credited to the General Fund during 2000, which includes \$822,338 assigned from other county funds. Interest revenue of \$34,871 and \$465 was also credited to the special revenue funds and the enterprise funds, respectively.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 this 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.

E. Inventory of Supplies

Inventories of governmental funds are stated at cost while the inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise fund type when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute available expendable financial resources even though it is a component of net current assets.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

G. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivable" and "Interfund Payable". Long-term interfund loans are classified as "Advances Receivable/Payable" and the Advances Receivable are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources.

H. Fixed Assets

The fixed asset values were initially determined at December 31, 1988, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated. The County maintains a capitalization threshold of five hundred dollars.

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

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fixed Assets

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

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

2. Enterprise Fund Fixed Assets

Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	40 years
Machinery and Equipment	8 years
Furniture and Fixtures	8 years
Vehicles	8 years
Infrastructure	45 years

I. Contributed Capital

Contributed capital represents donations by private sources, resources from other funds, grants restricted for capital construction, and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. There was no change in Contributed Capital during the year ended December 31, 2000.

Because the County did not prepare financial statements in accordance with generally accepted accounting principles prior to 1988, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

J. Capitalization of Interest

The County's policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, interest costs incurred on construction projects in enterprise funds were not material.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

The County follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued 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 vacation time when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for all employees after ten years of current service with the County. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements received for enterprise fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

M. Accrued Liabilities and Long-Term Debt

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

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

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Reserves of Fund Balance

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, unclaimed monies, advances receivable, notes receivable, and loans receivable.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

P. 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.

Q. Total Columns on General Purpose Financial Statements

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

3. PRIOR PERIOD ADJUSTMENTS

A restatement was done to decrease the general fixed assets by \$259,777 from the \$26,065,743 previously reported at December 31, 1999, to \$25,805,966 for assets being recorded incorrectly in previous years.

A restatement was also done for fixed assets in the enterprise funds. This change had the following effect on retained earnings as previously reported at December 31, 1999:

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

3. PRIOR PERIOD ADJUSTMENTS (Continued)

Retained Earnings as previously reported	\$3,675,977
Restatement of fixed assets	(411,376)
Restated Retained Earnings at December 31, 1999	<u>\$3,264,601</u>

As a result of these adjustments, net loss of the enterprise funds as previously reported for the year ending December 31, 1999, was restated \$249,678 from \$372,944 to \$622,622.

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non GAAP Basis) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust funds (GAAP basis). Material encumbrances are disclosed in the notes for the enterprise funds (GAAP basis).
4. For the enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. 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).

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$740,805	\$356,401	\$28,446	(\$269,775)	\$2,491
Adjustments:					
Revenue Accruals	(185,729)	(1,242,209)	0	(16,785)	(996)
Expenditure Accruals	177,559	557,302	0	17,613	730
Unrecorded Cash	(145,601)	(6,658)	0	0	0
Change in Fair Value of Cash Equivalents	(152,449)	0	0	0	0
Prepaid Items	9,411	4,372	0	0	0
Encumbrances	(265,846)	(1,021,587)	0	(273,077)	(1,084)
Advances	(235,860)	6,588	0	15,292	0
Budget Basis	<u>(\$57,710)</u>	<u>(\$1,345,791)</u>	<u>\$28,446</u>	<u>(\$526,732)</u>	<u>\$1,141</u>

**Net Loss/Excess of Revenues Under Expenses and Advances
All Enterprise Funds**

GAAP Basis	(\$376,006)
Adjustments:	
Revenue Accruals	69,842
Expense Accruals	26,720
Unrecorded Cash	(4,430)
Materials and Supplies Inventory	1,399
Prepaid Items	418
Capital Outlay	(356,261)
Advances	213,980
Debt Principal	(165,378)
Loss on Disposal of Fixed Assets	727
Encumbrances	(126,469)
Depreciation	<u>329,862</u>
Budget Basis	<u>(\$385,596)</u>

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

5. ACCOUNTABILITY

The following funds had deficit fund balances as of December 31, 2000:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund:</u>	
Public Assistance	\$101,061
 <u>Capital Projects Funds:</u>	
Robinson Ditch Construction	14,678
Watergate Ditch Construction	4,882
Clayton Ditch Construction	16,413
Kies Ditch Construction	33,608
King-Elsass Ditch Construction	8,747
Martin Ditch Construction	68,753
Mill Branch Ditch Construction	15,292

The deficits in the funds are caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

6. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies means an amount of 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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Inactive monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by 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;

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

6. 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. Bond 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 investment 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 exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County' average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

At year-end, the County had \$51,349 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 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

At year-end, the carrying amount of the County's deposits was \$4,174,671 and the bank balance was \$4,383,362. Of the bank balance, \$831,140 was covered by federal deposit insurance and \$3,552,222 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

During 2000, the County continued to diversify its investment portfolio to gain a higher rate of return while still maintaining liquidity and minimizing risk. Investments include repurchase agreements, U.S. Treasury Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association (FNMA) Bonds, and Federal Home Loan Mortgage Corporation (FHLMC) Bonds.

The County's investments are categorized below 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 or 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.

	Category 2	Category 3	Carrying/Fair Value
Repurchase Agreements	\$0	\$295,925	\$295,925
U.S. Treasury Notes	1,966,607	0	1,966,607
Federal Home Loan Bank Bonds	6,956,594	0	6,956,594
Federal National Mortgage Association (FNMA) Bonds	1,451,444	0	1,451,444
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	2,254,245	0	2,254,245
Total	<u>\$12,628,890</u>	<u>\$295,925</u>	<u>\$12,924,815</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Primary Government	
	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$17,069,252	\$81,583
Cash on Hand	(51,349)	0
Investments:		
Certificates of Deposit	81,583	(81,583)
Repurchase Agreements	(295,925)	295,925
U.S. Treasury Notes	(1,966,607)	1,966,607
Federal Home Loan Bank Bonds	(6,956,594)	6,956,594
Federal National Mortgage Association (FNMA) Bonds	(1,451,444)	1,451,444
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	(2,254,245)	2,254,245
GASB Statement 3	\$4,174,671	\$12,924,815

7. 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 2000 for real and public utility property taxes is for 1999 taxes and property tax revenue received during 2000 for tangible personal property (other than public utility) is for 2000 taxes.

The 2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

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. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

The 2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of assessed valuations.

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.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to each subdivision its portion of the taxes. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds of the County. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. 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 2000 operations. The receivable is offset by deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2000, was \$5.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Agricultural/Residential Real Property	\$512,746,430
Other Real Property	122,213,130
Tangible Personal Property	258,461,502
Public Utility Personal Property	<u>58,896,220</u>
Total Assessed Value	<u><u>\$952,317,282</u></u>

8. 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 tax are credited to the General Fund, the Auto License and Gas Tax Special Revenue Fund, and the Permanent Improvement Capital Projects Fund. Amounts received within the available period are accrued as revenue. Sales and use tax revenue received in 2000 amounted to \$6,444,724.

9. RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, interest, special assessments, accounts (billings for user charged services), due from other funds, interfund, advances, notes, loans, and intergovernmental receivables arising from grants. The special assessments receivable in the enterprise funds represent assessments to property owners for the new sewer system as well as delinquent user charges that have been assessed to property owners on their tax duplicates. All receivables are considered collectible in full, except Juvenile Court, Clerk of Courts, and Common Pleas Court fines, and court costs and fines owed to the Sheriff's Department. A summary of accounts receivable for Juvenile Court, Clerk of Courts, and Common Pleas Court fines, and court costs and fines owed to the Sheriff's Department, as well as other receivables owed to the County is as follows:

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

9. RECEIVABLES (Continued)

	Juvenile Court Fines	Clerk of Courts/ Common Pleas Court Fines	Sheriff's Department Court Costs and Fines	Other Receivables	Total Receivables
Receivable	\$410,428	\$2,283,867	\$23,420	\$530,959	\$3,248,674
Allowance for Uncollectibles	(205,214)	(1,667,223)	(11,710)	0	(1,884,147)
Net Accounts Receivable	<u>\$205,214</u>	<u>\$616,644</u>	<u>\$11,710</u>	<u>\$530,959</u>	<u>\$1,364,527</u>

A summary of intergovernmental receivables follows:

General Fund

Advertising for Delinquent Taxes Reimbursement	\$2,074
Defense of Indigents Reimbursement	62,157
Election Cost Reimbursement	7,361
Estate Tax Reimbursement	161
State Issue Reimbursement	3,309
Title IIIB	9,992
Lease Reimbursement	2,234
Bureau of Workers' Compensation Refund	226,820
Passport Contributions	201
Congregate Site and Home Delivered	11,974
U. S. Department of Agriculture	512
Sheriffs Reimbursement	1,511
Judges Reimbursement	359
Social Security Administration for Jail Linkage	400
Waiver IV	<u>6,760</u>
Total General Fund	<u>\$335,825</u>

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

9. RECEIVABLES (Continued)

Special Revenue Funds

Motor Vehicle License Tax	\$74,817
Gasoline Tax	117,393
CHIP-CDBG	24,041
CHIP-HOME	8,464
CDBG	433,000
Targeted Case Management	4,150
Payroll Reimbursement	8,975
CSEA Underfunded	152,716
Children's Services Underfunded	88,154
Children's Services Placement Costs	5,802
Children's Services	2,272
Public Assistance	9,373
Cluster Reimbursement	692
IV-E Administration and Training Reimbursement	45,719
CAFS	<u>40,941</u>
Total Special Revenue Funds	<u>1,016,509</u>
Agency Funds	
Library and Local Government	135,466
Local Government	177,813
Local Government Revenue Assistance	29,904
Personal Property Exemption	282,727
Gasoline Tax	59,450
Motor Vehicle License	<u>20,775</u>
Total Agency Funds	<u>706,135</u>
Total All Funds	<u><u>\$2,058,469</u></u>

A. Notes 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, 2000, the total amount of notes receivable of the Federal Revolving Loan Special Revenue Fund was \$750,630.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2000, follows:

Land and Improvements	\$632,165
Buildings and Improvements	3,858,997
Machinery and Equipment	441,564
Furniture and Fixtures	134,753
Vehicles	309,255
Infrastructure	<u>7,760,006</u>
Total	13,136,740
Less accumulated depreciation	<u>(2,687,320)</u>
Net Book Value	<u><u>\$10,449,420</u></u>

A summary of the changes in general fixed assets during 2000 follows:

	Restated Balance at December 31, <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2000</u>
Land and Improvements	\$473,523	\$10,200	\$0	\$483,723
Buildings and Improvements	18,196,059	1,165,141	0	19,361,200
Machinery and Equipment	2,893,815	222,046	218,580	2,897,281
Furniture and Fixtures	390,044	39,080	7,203	421,921
Vehicles	3,714,188	305,700	141,940	3,877,948
Construction in Progress	<u>138,337</u>	<u>0</u>	<u>138,337</u>	<u>0</u>
Total General Fixed Assets	<u><u>\$25,805,966</u></u>	<u><u>\$1,742,167</u></u>	<u><u>\$506,060</u></u>	<u><u>\$27,042,073</u></u>

11. RISK MANAGEMENT

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 2000, the County contracted with Midwest Pool Management, Inc. for liability, property and crime insurance.

Coverages provided by the insurance pool are as follows:

Liability	
(A) General, Auto, Law and Nursing Home Liability Combined (per occurrence)	\$1,000,000
(B) Public Official Errors and Omissions Liability (per occurrence - included above)	1,000,000
Aggregate	1,900,000
Property	35,000,000
Flood and Earthquake	1,000,000
Boiler and Machinery	30,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

11. RISK MANAGEMENT (Continued)

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.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2000, 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 24). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the 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.

Beginning January 1, 1996, the County elected to enter into an agreement with Mercer, Hancock, Auglaize, and Van Wert counties to form the Midwest Employee Benefit Consortium, a risk-sharing pool, to provide for health, dental and life insurance. The Pool is governed by a Board of Trustees consisting of five trustees, one appointed by each Board of County Commissioners. The Board of Trustees elects a President, Vice President, Treasurer, and Secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. Settled claims have not exceeded coverage in the last three years. There have been no significant reductions in coverage from last year.

The County pays monthly contributions to the Pool, which are used to purchase excess loss insurance for the Pool, pay current claims and related claim settlement expenses and to establish and maintain sufficient reserves. The plan is non-contributing for employees and is owned and operated by the Pool. The members' contributions represent 115 percent of the expected costs of the Pool, which will allow the Pool to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of the Pool's operations.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

11. RISK MANAGEMENT (Continued)

The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid to an individual in excess of \$75,000 per year, with an individual lifetime maximum of \$950,000 per person. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims in excess of 120 percent of projected claims. In the event that the losses of the consortium in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of all county members of the Pool. No such loss has occurred in the past three years.

The County currently has no specified percentage share of the Pool. The only time at which a percentage share would be calculated occurs if the Pool votes to terminate. After a vote to terminate the Pool, the Board would wind-up the Pool's business as quickly as practicable, but in any event would complete this process no later than twelve months after the termination date. During such period, the Pool would continue to pay all claims and expenses until the Pool's funds are exhausted. After payment of all claims and expenses, or upon the termination of the aforesaid twelve month period, any remaining surplus funds held by the Pool would be distributed according to the determination of the Board. The County's payment for health insurance coverage to the Midwest Employee Benefit Consortium in 2000 was \$1,698,391.

12. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 9 percent. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. For plan members, other than those engaged in law enforcement, the County was required to contribute 6.54 percent of covered salary for 2000, a reduction from 9.35 percent for 1999. The County contribution for law enforcement employees for 2000 was 11.4 percent, down from 12.5 percent for 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$896,926, \$1,337,796, and \$1,279,197, respectively. 78 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability in the General Long-Term Obligations Account Group.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2000, 1999, and 1998 were \$38,404, \$35,658, and \$58,085, respectively; 88 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000 is recorded as a liability within the respective funds.

13. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2000 was 10.84 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2000 was 15.7 percent; 4.3 percent was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

13. POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants was 401,339. The County's actual contributions for 2000 which were used to fund postemployment benefits were \$544,991. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$51,206 for 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund at June 30, 2000, was \$3,419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

14. DEFERRED COMPENSATION PLANS

County employees and elected officials 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.

15. CAPITAL LEASES - LESSEE DISCLOSURE

During 2000, and in prior years, the County entered into several capitalized leases. 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. New capital leases are reflected in the accounts, "Capital Outlay" and "Inception of Capital Lease" in the fund making the lease payment. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

15. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Machinery and equipment acquired by lease has been capitalized in the General Fixed Assets Account Group at \$70,234, which equals the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments made during 2000 totaled \$9,010.

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, 2000.

Year	GLTOAG
2001	\$18,541
2002	12,992
2003	9,973
2004	8,798
2005	8,799
Total	59,103
Less: Amount Representing Interest	(4,258)
Present Value of Minimum Lease Payments	\$54,845

16. LONG-TERM DEBT

The changes in the County's general long-term obligations for the year consist of the following:

	Balance at December 31, 1999	Increases	Decreases	Balance at December 31, 2000
<u>OWDA Loan Payable:</u>				
7.62% - 1992 Meadowlane	\$52,554	\$0	\$2,832	\$49,722
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	977,069	85,579	0	1,062,648
Due to Other Governments	368,107	254,132	368,107	254,132
Obligations Under Capital Lease	23,284	40,571	9,010	54,845
TOTAL - Other Long-Term Obligations	1,368,460	380,282	377,117	1,371,625
TOTAL - General Long-Term Obligations	\$1,421,014	\$380,282	\$379,949	\$1,421,347

The OWDA loan is a twenty year loan that was issued in 1991 for the purpose of making improvements to Meadowlane Sewer. This loan will be paid from the Bond Retirement Debt Service Fund, using special assessments. Compensated absences and due to other governments will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the General Fund.

Changes in the long-term obligations reported in the enterprise funds during 2000 were as follows:

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

16. LONG-TERM DEBT (Continued)

	Balance at December 31, 1999	Increases	Decreases	Balance at December 31, 2000
<u>Loans Payable:</u>				
7.59% - 1991 OWDA Loan	\$2,632,191	\$0	\$161,628	\$2,470,563
0.00% - 1998 OPWC Loan	69,375	0	3,750	65,625
	<u>\$2,701,566</u>	<u>\$0</u>	<u>\$165,378</u>	<u>\$2,536,188</u>

The OWDA loan is a twenty year loan that was issued for the purpose of making improvements to the Loramie Sewer District. The OPWC loan is a twenty year loan that was issued for the purpose of making improvements to the Arrowhead Hills Water System. Both of the loans will be paid from the Sewer Enterprise Fund's operating revenues.

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, 2000, are an overall debt margin of \$22,307,932 and an unvoted debt margin of \$9,523,173. The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

Year	General Obligation OWDA Loan Payable	Enterprise Fund Loans		Total
		OPWC Loan	OWDA Loan	
2001	\$3,418	\$1,875	\$180,705	\$185,998
2002	6,837	3,750	361,412	371,999
2003	6,837	3,750	361,412	371,999
2004	6,837	3,750	361,412	371,999
2005	6,837	3,750	361,412	371,999
2006-2010	34,184	18,750	1,807,058	1,859,992
2011-2015	10,254	18,750	180,705	209,709
2016-2019	0	11,250	0	11,250
Total	<u>\$75,204</u>	<u>\$65,625</u>	<u>\$3,614,116</u>	<u>\$3,754,945</u>

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,705,000 outstanding at December 31, 2000, 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 \$44,600,000 outstanding at December 31, 2000. Both 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 \$9,675,000, \$3,677,693, and \$1,908,218 outstanding, respectively, at December 31, 2000. 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.

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

17. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$153,488	\$62,752	\$167,700	\$60,500	\$818,683	\$0
<u>Special Revenue Funds:</u>						
Dog and Kennel Fund	0	194	0	0	0	0
Public Assistance Fund	0	673	0	0	0	0
Real Estate Assessment Fund	0	33	0	0	0	0
Auto License and Gas Tax Fund	8,930	0	0	0	0	0
Child Support Enf. Agency Fund	0	29,850	0	0	0	0
Ditch Maintenance Fund	0	0	0	1,577	0	0
MRDD Fund	20,161	3,106	7,000	0	0	0
Community Corrections Grant Fund	0	0	0	5,000	0	0
Ohio Department of Ed Grant Fund	0	0	0	7,000	0	0
ODOT Grant Fund	0	188	0	0	0	0
Care and Custody Fund	0	118	0	0	0	0
Recycle Ohio Fund	0	0	0	8,390	0	0
MRS Day Care Fund	673	0	0	0	0	0
Total Special Revenue Funds	29,764	34,162	7,000	21,967	0	0
<u>Capital Projects Funds:</u>						
Robinson Ditch Construction Fund	0	0	0	56,919	0	0
Watergate Ditch Construction Fund	0	0	0	5,901	0	0
Clayton Ditch Construction Fund	0	0	0	16,413	0	0
Kies Ditch Construction Fund	0	0	0	57,851	0	0
King-Elsass Ditch Construction Fund	0	0	0	8,747	0	0
Martin Ditch Construction Fund	0	0	0	74,212	0	0
Mill Branch Ditch Construction Fund	0	0	0	15,292	0	0
Permanent Improvement Fund	0	0	134,712	0	189,657	0
Total Capital Projects Funds	0	0	134,712	235,335	189,657	0
<u>Enterprise Funds:</u>						
Landfill Fund	35	0	8,390	0	0	0
Fair Haven Home Fund	57,675	35	0	0	0	0
Sewer Fund	0	214	0	0	0	1,008,340
Total Enterprise Funds	57,710	249	8,390	0	0	1,008,340
<u>Agency Funds:</u>						
Health	3,150	0	0	0	0	0
Undivided Tax	0	47,245	0	0	0	0
Undivided Income Tax	0	99,704	0	0	0	0
Total Agency Funds	3,150	146,949	0	0	0	0
Total All Funds	\$244,112	\$244,112	\$317,802	\$317,802	\$1,008,340	\$1,008,340

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

18. SEGMENT INFORMATION

The County's enterprise funds account for the collection and handling of recyclable materials, the county home, the provision of sewer services, and the recycling center. Key financial information as of and for the year ended December 31, 2000, for each enterprise fund is as follows:

	<u>Landfill</u>	<u>Fair Haven Home</u>	<u>Sewer District</u>	<u>Recycling</u>	<u>Total</u>
Operating Revenues	\$277,337	\$5,126,281	\$507,181	\$209,679	\$6,120,478
Depreciation Expense	15,307	89,544	207,566	17,445	329,862
Operating Income (Loss)	(47,185)	11,825	(178,090)	37,489	(175,961)
Interest Income	0	35	0	430	465
Loss on Disposal of Fixed Assets	0	0	(727)	0	(727)
Interest and Fiscal Charges	0	0	(199,783)	0	(199,783)
Net Income (Loss)	(47,185)	11,860	(378,600)	37,919	(376,006)
Fixed Asset Additions	0	328,855	27,406	0	356,261
Fixed Asset Deletions	0	31,303	24,546	0	55,849
Net Working Capital	94,030	489,224	468,698	139,655	1,191,607
Total Assets	509,018	2,976,137	8,935,505	757,211	13,177,871
Long-Term Comp.Absences Payable	2,697	167,218	19,002	7,639	196,556
Long-Term Loans Payable	0	0	2,447,365	0	2,447,365
Total Fund Equity	491,433	2,418,144	5,346,180	741,349	8,997,106
Total Encumbrances December 31, 2000	23,394	53,961	45,178	3,936	126,469

19. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2000, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Choice One Engineering	Bridge Replacement	\$45,955
Phoenix Bridge Company	Bridge Replacement	69,142
E.P. Ferris	Bridge Replacement	38,046
Sprint	Phone Lines - Boiler Project	6,511
Slagle Mechanical	Boiler	102,243
Freytag and Associates	Social Services Building	104,079
Gaede and Serne Architects	Boiler Project	20,030
Sollmann Electric	Phone Line/Conduit Courthouse	7,200
URS Corporation	Wellhead Protection Plan	21,168
Eck Refrigeration, Inc.	Hot Water Heater	14,979
Meyers Equipment Corporation	School Bus	54,623

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

20. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT

A. Measurement Focus and Basis of Accounting

The financial statements that are presented for S and H Products use the governmental model of Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" for non-profit corporations. This component unit is accounted for like an enterprise fund using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. S and H Products operates on a fiscal year which ran from July 1, 1999, to June 30, 2000.

B. Budgetary Basis of Accounting

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

C. Deposits and Investments

Cash and cash equivalents held by S and H Products are classified as "Cash and Cash Equivalents in Segregated Accounts." 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 \$305,801 and the bank balance was \$316,928. Of the bank balance, \$289,778 was covered by federal depository insurance, while \$27,150 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. There are no statutory guidelines regarding the deposit and investments of funds for the not-for-profit corporation.

During 2000, 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 \$213,645. 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 should be determined by the fund's current share price.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$128,677	\$390,769
Investments:		
Certificates of Deposit	177,124	(177,124)
GASB Statement 3	\$305,801	\$213,645

SHELBY COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)**

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

D. Fixed Assets

A summary of S and H Products fixed assets at December 31, 2000, follows:

Leasehold Improvements	\$76,977
Shop and Office Equipment	199,756
Transportation Equipment	<u>255,787</u>
Total	532,520
Less accumulated depreciation	<u>(265,082)</u>
Net Book Value	<u>\$267,438</u>

Depreciation is provided on a straight-line basis over an estimated useful life of 10 years for shop and office equipment, 5 years for transportation equipment, and 25 years for leasehold improvements.

E. Contributed Capital

Contributed capital represents grants restricted for capital construction. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is recorded as a reduction to contributed capital. During fiscal year 2000, S&H Products received fixed assets in the amount of \$77,238 as part of a grant, which has been recorded as contributed capital. Depreciation on these assets, which was booked to contributed capital, during fiscal year 2000 was \$1,697.

F. Segment Information

Net working capital for S & H Products was \$138,019. During 2000, S & H Products purchased fixed assets in the amount of \$78,541, and disposed of fixed assets in the amount of \$54,068. Other segment information can be obtained in the combined financial statements.

21. JOINT VENTURES

A. Shelby County Emergency Management Agency

The Shelby County Emergency Management Agency (EMA) 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 2000, the County contributed \$61,894 (52 percent) of total revenue for the operation of the agency. The EMA 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 EMA 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 the EMA located at 800 Fair Road, Sidney, Ohio 45365.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

21. JOINT VENTURES (Continued)

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. The County contributed \$37,423 (53 percent) of total revenue during 2000 for 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 the Commission located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

22. 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. 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 2000, a tax levy provided \$416,217 (28 percent of total tax revenue) for the operations of the organization.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

22. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. West Central Ohio Network

The West Central Ohio Network (West Con) is a jointly governed organization among Shelby, Darke, Miami, Auglaize, Mercer, Logan, and Union counties. West Con was created to serve as the administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Developmental Disabilities (MRDD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating MRDD Boards. Payments to West Con are limited to the Supported Living funds of each participating county. Shelby County's payments totaled \$85,000 during 2000.

23. 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 2000, the County did not have any financial contributions to the operation of the SMHA.

24. INSURANCE PURCHASING POOL

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 2000, the County was required to contribute \$2,158 to the CCAOSC.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000 (Continued)

25. RELATED PARTY TRANSACTIONS

S & 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 necessary for the operation of the habilitation services to the client, 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 & H Products.

The additional income and related expenses are reflected in the financial statements of the component unit. In 2000, the contributions to S & H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs was \$295,242. In other transactions with Shelby County, S & H Products received \$4,511 from the County for goods and services.

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 March 1, 2001, the County issued a bond anticipation note in the amount of \$2,000,000 for the Job and Family Services Department building. The interest rate on the note is 3.83 percent. The note is due February 28, 2002.

SHELBY COUNTY FINANCIAL CONDITION

**SCHEDULE OF FEDERAL AWARDS EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grant	B-F-99-070-1	14.228	\$79,000	\$79,500
	B-F-98-070-1		62,600	35,200
	B-E-99-070-1		11,959	11,865
Total Community Development Block Grant			153,559	126,565
Home Investment Partnership Program	B-C-99-070-2	14.239	112,787	108,251
Total U.S. Department of Housing and Urban Development			266,346	234,816
U.S. DEPARTMENT OF JUSTICE				
(Passed through Ohio Department of Criminal Justice)				
Victims of Crime Act	N/A	16.575	4,576	3,510
			6,568	5,817
			11,144	9,327
Law Enforcement Block Grant	98-LE-LEB-3059	16.592	0	7,974
Total U.S. Department of Justice			11,144	17,301
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through Area Agency on Aging)				
Food Distribution	N/A	10.550	13,889	13,889
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Title VI-B - Special Education Grants to States	071159-6B-SF-01	84.027	17,441	15,750
	071159-6B-SF-00		33,749	33,257
Total Special Education Grants to States			51,190	49,007
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-01	84.173	24,413	16,240
	071159-PG-SI-00		34,810	33,323
Total Special Education Preschool Grants			59,223	49,563
Total Special Education Cluster			110,413	98,570
PS/SE Indicators of Success	071159-PG-SC-00-P	84.173A	3,705	3,587
Special Education Grants for Infants and Families with Disabilities	75-1-03-F-AN-392-2000	84.181	48,339	46,864
			18,354	13,089
			66,693	59,953
Total U.S. Department of Education			180,811	162,110
U.S. DEPARTMENT OF LABOR				
(Passed through Ohio Department of Job and Family Services)				
Workforce Investment Act	N/A	17.255	0	165,598
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed through Area Agency on Aging)				
Title III-B - Special Programs for the Aging	N/A	93.044	21,113	21,113
			2,895	2,895
Total Title III-B - Special Programs for the Aging			24,008	24,008
Title III-C - Special Programs for the Aging	N/A	93.045	26,171	26,171
			32,630	32,630
Total Title III C - Special Programs for the Aging			58,801	58,801
(Passed through Ohio Department of Human Services)				
Promoting Safe and Stable Families	N/A	93.556	10,811	10,811
Title IV-B - Child Welfare Services State Grants	N/A	93.645	40,933	40,933
(Passed through Ohio Dept. of Mental Retardation and Dev. Disabilities)				
Title XX - Social Services Block Grant	MR-75-FY-01	93.667	9,376	9,376
	MR-75-FY-00		26,317	26,317
Total Social Services Block Grant			35,693	35,693
Medicaid (Medical Assistance Programs)	7500010-CY00	93.778	149,264	149,264
	7500010-CY99		61,357	61,357
Total Medicaid (Medical Assistance Programs)			210,621	210,621
Total U.S. Department of Health and Human Services			380,867	380,867
Total Federal Programs			\$853,057	\$974,581

See accompanying notes to the Schedule of Federal Awards Expenditures.

SHELBY COUNTY FINANCIAL CONDITION

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - 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 C- FOOD DISTRIBUTION PROGRAM

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

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

The County has established a revolving loan program to provide low-interest loans to eligible local homeowners for persons from low-moderate income households to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the Government (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, 2000, the gross amount of loans outstanding under this program were \$750,630.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

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

To the Board of Commissioners:

We have audited the financial statements of Shelby County as of and for the year ended December 31, 2000, and have issued our report thereon dated July 12, 2001. We did not audit the financial statements of S&H Products (the component unit), which represents 100 percent of the assets and revenues of the component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the component unit, is based 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Shelby County in a separate letter dated July 12, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Shelby County in a separate letter dated July 12, 2001.

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

Jim Petro
Auditor of State

July 12, 2001



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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM 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

To the Board of Commissioners:

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, 2000. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate report dated July 12, 2001.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-60275-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above is not a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 12, 2001.

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

Jim Petro
Auditor of State

July 12, 2001

SHELBY COUNTY FINANCIAL CONDITION

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant (14.228) Home Investment Partnership Program (14.239) Aging Cluster Grant (93.044 and 93.045) Medicaid Program (93.778)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

<i>Finding Number</i>	2000-60275-001
<i>CFDA Title and Number</i>	All CFDA Titles and Numbers
<i>Federal Award Number / Year</i>	All Federal Award Numbers
<i>Federal Agency</i>	All Federal Agencies
<i>Pass-Through Agency</i>	All Pass-Through Agencies

Federal Program Accounting

OMB Circular A-133 requires federal recipients and subrecipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. The current chart of accounts utilized by Shelby County does not differentiate federal fund receipts and expenditures from other local fund transactions. In assessing the appropriateness and completeness of the County's identification of federal programs in the schedule of federal awards expenditure, it must be determined whether the required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements. OMB Circular A-133 Subpart C Section .300(d) further states that the auditee shall prepare appropriate financial statements, including the schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. The County did not prepare the schedule of expenditures of Federal awards for the period January 1, 2000 to December 31, 2000.

Examination of the federal schedule of awards expenditures determined that the County does not have a system in place to differentiate federal program revenues and expenditures from state and local revenues and expenditures. In addition, the County's chart of accounts does not provide a logical sequence by fund, revenue source, and expenditure classification. The chart of accounts currently in use is alphanumeric and the codes are not always presented in alphabetical or numerical order. It is also difficult to compare federal receipts and expenditures by fund for a department or for a specific project. The posting of federal awards according to the current chart of accounts could result in a significant misstatement to the federal schedule of awards expenditure.

Shelby County should evaluate their current chart of accounts and make the necessary changes to the account codes to enable County departments to post federal program transactions consistently to accounts codes which are identified specifically for federal receipts or expenditures. Further, the County should prepare the schedule of expenditures of Federal awards for the period covered by the auditee's financial statements.

SHELBY COUNTY FINANCIAL CONDITION

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2000**

Finding Number	Planned Corrective Action Finding	Anticipated Completion Date	Responsible Contract Person
2000-60275-001	County is in the process of assigning special codes to specifically identify federal revenue. Process should be in place for the year ended December 31, 2001.	Fiscal Year 2001	County Auditor - Joe DeWeese

SHELBY COUNTY FINANCIAL CONDITION

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A -133 § .315 (b)

DECEMBER 31, 2000

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-60275-001	County is unable to specifically identify federal revenue and expenditures	No	Re-issued for year 2000 as audit finding 2000-60275-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

SHELBY COUNTY 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
AUGUST 7, 2001