



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
SHELBY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying general-purpose financial statements of Shelby County, (the County) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. 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 the 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 provides 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 the County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

August 5, 2003

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**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT  
DECEMBER 31, 2002**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Assets and Other Debits</b>					
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,073,034	\$6,883,948	\$16,288	\$3,492,306	\$390,352
Cash and Cash Equivalents in Segregated Accounts	6,644	7,011			7,338
Investments in Segregated Accounts					
<b>Receivables:</b>					
Property and Other Taxes	2,173,699	5,540,607			
Permissive Sales Tax	520,142	346,590		173,380	
Accounts (Net, where applicable, of Uncollectible Accounts)	85,931	50,273			487,213
Special Assessments		228,161	39,203	94,661	1,234,847
Accrued Interest	67,629				
Due from Other Funds	911,194	113,629			17,831
Due from Other Governments	255,095	3,030,240		223,342	
Interfund Receivable	149,190	53,500		466,837	9,000
Advances Receivable	88,763			74,212	
Notes Receivable		1,011,718			
Loan Receivable	22,500				
Materials and Supplies Inventory	47,271	100,106			9,998
Prepaid Items	160,255	32,862			3,076
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					10,099,607
<b>Other Debits:</b>					
Amount Available in Bond retirement Fund for Special Assessment Debt					
Amount Available in Bond Retirement Fund for General Obligations					
Amount to be Provided from Special Assessments					
Amount to be Provided from General Government Resources					
Total Assets and Other Debits	<u>\$6,561,347</u>	<u>\$17,398,645</u>	<u>\$55,491</u>	<u>\$4,524,738</u>	<u>\$12,259,262</u>
Accounts Payable	\$141,154	\$296,667		\$49,869	\$187,896
Contracts Payable		46,139		469,464	
Retainage Payable				42,774	
Accrued Wages Payable	285,740	335,753			243,297
Compensated Absences Payable	43,297	57,153			250,209
Due to Other Funds	22,088	187,116			117
Due to Other Governments	80,760	159,002			166,295
Interfund Payable	60,500	469,078		16,413	132,536
Advances Payable				162,975	
Deferred Revenue	2,884,747	8,705,476	39,203	245,805	
Undistributed Monies					
Long-Term Notes Payable					
Capital Leases Payable					16,392
OPWC Loan Payable					58,125
OWDA Loans Payable					2,109,572
General Obligation Bonds Payable					
Total Liabilities	<u>3,518,286</u>	<u>10,256,384</u>	<u>39,203</u>	<u>987,300</u>	<u>3,164,439</u>
<b>Fund Equity and Other Credits:</b>					
Investment in General Fixed Assets					
Contributed Capital					6,246,772
Retained Earnings:					
Unreserved					2,848,051
Fund Balance:					
Reserved for Encumbrances	32,194	477,826		733,236	
Reserved for Materials and Supplies Inventory	47,271	100,106			
Reserved for Unclaimed Monies					
Reserved for Advances Receivable	88,763			74,212	
Reserved for Notes Receivable		1,011,718			
Reserved for Loan Receivable	22,500				
Unreserved	2,852,333	5,552,611	16,288	2,729,990	
Total Fund Equity and Other Credits	<u>3,043,061</u>	<u>7,142,261</u>	<u>16,288</u>	<u>3,537,438</u>	<u>9,094,823</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$6,561,347</u>	<u>\$17,398,645</u>	<u>\$55,491</u>	<u>\$4,524,738</u>	<u>\$12,259,262</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			
\$3,009,996			\$15,865,924		\$15,865,924
405,306			426,299	59,671	485,970
66,938			66,938	412,831	479,769
47,709,090			55,423,396		55,423,396
			1,040,112		1,040,112
1,083,582			1,706,999	26,535	1,733,534
2,280,944			3,877,816		3,877,816
			67,629	2,313	69,942
3,330			1,045,984		1,045,984
3,959,078			7,467,755		7,467,755
			678,527		678,527
			162,975		162,975
			1,011,718		1,011,718
			22,500		22,500
			157,375		157,375
			196,193		196,193
	31,461,621		41,561,228	217,878	41,779,106
		4,191	4,191		4,191
		12,097	12,097		12,097
		39,203	39,203		39,203
		5,656,465	5,656,465		5,656,465
<u>\$58,518,264</u>	<u>\$31,461,621</u>	<u>\$5,711,956</u>	<u>\$136,491,324</u>	<u>\$719,228</u>	<u>\$137,210,552</u>
\$101			\$675,687	\$6,841	\$682,528
			515,603		515,603
			42,774		42,774
			864,790	12,997	877,787
		1,157,739	1,508,398		1,508,398
836,663			1,045,984		1,045,984
54,030,259		450,451	54,886,767	429	54,887,196
			678,527		678,527
			162,975		162,975
			11,875,231		11,875,231
3,596,828			3,596,828		3,596,828
		1,000,000	1,000,000		1,000,000
		79,372	95,764		95,764
			58,125		58,125
		43,394	2,152,966		2,152,966
		2,981,000	2,981,000		2,981,000
<u>58,463,851</u>		<u>5,711,956</u>	<u>82,141,419</u>	<u>20,267</u>	<u>82,161,686</u>
	31,461,621		31,461,621		31,461,621
			6,246,772	54,587	6,301,359
			2,848,051	644,374	3,492,425
44			1,243,300		1,243,300
			147,377		147,377
14,345			14,345		14,345
			162,975		162,975
			1,011,718		1,011,718
			22,500		22,500
40,024			11,191,246		11,191,246
54,413	31,461,621		54,349,905	698,961	55,048,866
<u>\$58,518,264</u>	<u>\$31,461,621</u>	<u>\$5,711,956</u>	<u>\$136,491,324</u>	<u>\$719,228</u>	<u>\$137,210,552</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Fiduciary	Total	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
<b>Revenues:</b>						
Property and Other Taxes	\$1,996,800	\$2,437,527				\$4,434,327
Permissive Sales Tax	3,474,288	2,315,339	1,076,390	81,705		6,947,722
Intergovernmental	2,097,376	10,497,113		101,855		12,696,344
Charges for Services	2,403,229	1,300,399				3,703,628
Licenses and Permits	3,710	105,027				108,737
Fines and Forfeitures	198,984	61,561				260,545
Special Assessments		214,946	5,519	45,347		265,812
Interest	435,756	45,855			20	481,631
Decrease in Fair Value of Investments	(37,461)					(37,461)
Donations and Contributions		47,684				47,684
Other	424,995	628,902			19,415	1,073,312
<b>Total Revenues</b>	<b>10,997,677</b>	<b>17,654,353</b>	<b>1,081,909</b>	<b>228,907</b>	<b>19,435</b>	<b>29,982,281</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General Government:</b>						
Legislative and Executive	3,207,613	553,462				3,761,075
Judicial	1,866,269	265,540				2,131,809
Public Safety	3,927,442	575,282				4,502,724
Public Works	1,313,305	5,540,976				6,854,281
Health	95,477	111,398				206,875
Human Services	680,298	11,950,603			13,368	12,644,269
Economic Development and Assistance		210,835				210,835
Intergovernmental	556,332					556,332
Capital Outlay	9,801	3,980		1,384,098		1,397,879
<b>Debt Service:</b>						
Principal Retirement	14,262	6,437	2,003,280			2,023,979
Interest and Fiscal Charges	2,923	2,233	79,946			85,102
<b>Total Expenditures</b>	<b>11,673,722</b>	<b>19,220,746</b>	<b>2,083,226</b>	<b>1,384,098</b>	<b>13,368</b>	<b>34,375,160</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(676,045)</b>	<b>(1,566,393)</b>	<b>(1,001,317)</b>	<b>(1,155,191)</b>	<b>6,067</b>	<b>(4,392,879)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Long-Term Notes			1,000,000			1,000,000
Proceeds from Sale of Bonds				2,981,000		2,981,000
Proceeds from Sale of Fixed Assets	8,192					8,192
Inception of Capital Lease	9,801	3,980				13,781
Operating Transfers - In		261,132		25,000	4,388	290,520
Operating Transfers - Out	(605,205)			(183,320)		(788,525)
<b>Total Other Financing Sources (Uses)</b>	<b>(587,212)</b>	<b>265,112</b>	<b>1,000,000</b>	<b>2,822,680</b>	<b>4,388</b>	<b>3,504,968</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(1,263,257)</b>	<b>(1,301,281)</b>	<b>(1,317)</b>	<b>1,667,489</b>	<b>10,455</b>	<b>(887,911)</b>
<b>Fund Balances at Beginning of Year - Restated (See Note 3)</b>						
	4,299,849	8,469,981	17,605	1,869,949	43,958	14,701,342
<b>Increase (Decrease) in Reserve for Inventory</b>	<b>6,469</b>	<b>(26,439)</b>				<b>(19,970)</b>
<b>Fund Balances at End of Year</b>	<b>\$3,043,061</b>	<b>\$7,142,261</b>	<b>\$16,288</b>	<b>\$3,537,438</b>	<b>\$54,413</b>	<b>\$13,793,461</b>

See Notes to the General Purpose Financial Statements.

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**FINANCIAL CONDITION  
SHELBY COUNTY**

**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, 2002**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property and Other Taxes	\$2,033,813	\$1,996,527	(\$37,286)	\$2,429,532	\$2,437,338	\$7,806
Permissive Sales Tax	3,300,000	3,484,813	184,813	2,100,000	2,321,969	221,969
Intergovernmental	1,996,289	2,105,840	109,551	12,277,886	10,591,295	(1,686,591)
Charges for Services	2,530,455	2,388,205	(142,250)	1,190,050	1,270,454	80,404
Licenses and Permits	3,410	3,710	300	106,815	106,473	(342)
Fines and Forfeitures	193,000	194,428	1,428	48,916	60,070	11,154
Special Assessments				215,754	214,946	(808)
Interest	964,000	521,429	(442,571)	55,944	46,637	(9,307)
Donations and Contributions				45,300	47,684	2,384
Other	363,059	405,744	42,685	412,510	382,800	(29,710)
<b>Total Revenues</b>	<b>11,384,026</b>	<b>11,100,696</b>	<b>(283,330)</b>	<b>18,882,707</b>	<b>17,479,666</b>	<b>(1,403,041)</b>
<b>Expenditures:</b>						
Current:						
General Government:						
Legislative and Executive	3,681,563	3,163,556	518,007	673,588	589,971	83,617
Judicial	1,984,950	1,923,624	61,326	345,984	275,338	70,646
Public Safety	4,061,663	3,955,425	106,238	555,207	420,303	134,904
Public Works	1,696,658	1,339,840	356,818	9,326,878	5,767,125	3,559,753
Health	110,438	105,799	4,639	118,357	111,979	6,378
Human Services	949,118	834,757	114,361	13,969,190	12,358,098	1,611,092
Economic Development and Assistance				610,441	424,502	185,939
Intergovernmental	556,332	556,332				
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>13,040,722</b>	<b>11,879,333</b>	<b>1,161,389</b>	<b>25,599,645</b>	<b>19,947,316</b>	<b>5,652,329</b>
Excess of Revenues Over (Under) Expenditures	(1,656,696)	(778,637)	878,059	(6,716,938)	(2,467,650)	4,249,288
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Long-Term Notes						
Proceeds from Sale of Bonds						
Proceeds from Sale of Fixed Assets	26,000	8,192	(17,808)			
Advances - In		5,000	5,000	79,280	456,780	377,500
Advances - Out	(136,200)	(131,200)	5,000	(90,770)	(56,270)	34,500
Operating Transfers - In				2,525,886	261,132	(2,264,754)
Operating Transfers - Out	(775,206)	(605,205)	170,001			
<b>Total Other Financing Sources (Uses)</b>	<b>(885,406)</b>	<b>(723,213)</b>	<b>162,193</b>	<b>2,514,396</b>	<b>661,642</b>	<b>(1,852,754)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,542,102)	(1,501,850)	1,040,252	(4,202,542)	(1,806,008)	2,396,534
Fund Balances at Beginning of Year	2,988,702	2,988,702		6,502,755	6,502,755	
Prior Year Encumbrances Appropriated	312,430	312,430		865,961	865,961	
<b>Fund Balances at End of Year</b>	<b>\$759,030</b>	<b>\$1,799,282</b>	<b>\$1,040,252</b>	<b>\$3,166,174</b>	<b>\$5,562,708</b>	<b>\$2,396,534</b>

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)
\$1,076,390	\$1,076,390		\$123,610	\$85,214	(\$38,396)			
			29,657	29,657				
	5,519	5,519		45,347	45,347		20	20
						12,000	19,962	7,962
<u>1,076,390</u>	<u>1,081,909</u>	<u>5,519</u>	<u>153,267</u>	<u>160,218</u>	<u>6,951</u>	<u>12,000</u>	<u>19,982</u>	<u>7,982</u>
						31,171	14,924	16,247
			3,673,777	2,597,343	1,076,434			
2,003,280	2,003,280							
79,946	79,946							
<u>2,083,226</u>	<u>2,083,226</u>		<u>3,673,777</u>	<u>2,597,343</u>	<u>1,076,434</u>	<u>31,171</u>	<u>14,924</u>	<u>16,247</u>
(1,006,836)	(1,001,317)	5,519	(3,520,510)	(2,437,125)	1,083,385	(19,171)	5,058	24,229
1,000,000	1,000,000		1,881,000	2,981,000	1,100,000			
			183,320	183,320				
			(400,000)	(400,000)				
			25,000	25,000		4,388	4,388	
			(196,755)	(183,320)	13,435			
<u>1,000,000</u>	<u>1,000,000</u>		<u>1,492,565</u>	<u>2,606,000</u>	<u>1,113,435</u>	<u>4,388</u>	<u>4,388</u>	
(6,836)	(1,317)	5,519	(2,027,945)	168,875	2,196,820	(14,783)	9,446	24,229
17,605	17,605		1,295,890	1,295,890		42,260	42,260	
			863,645	863,645		1,480	1,480	
<u>\$10,769</u>	<u>\$16,288</u>	<u>\$5,519</u>	<u>\$131,590</u>	<u>\$2,328,410</u>	<u>\$2,196,820</u>	<u>\$28,957</u>	<u>\$53,186</u>	<u>\$24,229</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Unit</u>	
<b>Operating Revenues:</b>			
Sales	\$115,364	\$359,908	\$475,272
Charges for Services	5,612,687		5,612,687
Subsidy from County Board		4,299	4,299
Other	21,607		21,607
Total Operating Revenues	<u>5,749,658</u>	<u>364,207</u>	<u>6,113,865</u>
<b>Operating Expenses:</b>			
Personal Services	4,610,633	318,828	4,929,461
Contractual Services	719,433	16,918	736,351
Materials and Supplies	658,473	67,364	725,837
Other	158,205	1,878	160,083
Depreciation	374,817	44,661	419,478
Total Operating Expenses	<u>6,521,561</u>	<u>449,649</u>	<u>6,971,210</u>
Operating Loss	<u>(771,903)</u>	<u>(85,442)</u>	<u>(857,345)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest	50	8,160	8,210
Contributions		44,280	44,280
Loss on Disposal of Fixed Assets	(2,437)	(766)	(3,203)
Miscellaneous Income		10,691	10,691
Donations Paid to Other Agencies		(21,080)	(21,080)
Employee Assistance		(20,346)	(20,346)
Subsidy from County Board		169,964	169,964
Interest and Fiscal Charges	(174,317)		(174,317)
Expenditures of Unrestricted Service Support		(169,964)	(169,964)
Total Non-Operating Revenues (Expenses)	<u>(176,704)</u>	<u>20,939</u>	<u>(155,765)</u>
Net Loss Before Operating Transfers	(948,607)	(64,503)	(1,013,110)
Operating Transfers - In	<u>498,005</u>		<u>498,005</u>
Net Loss	(450,602)	(64,503)	(515,105)
Add Depreciation on Contributed Assets Acquired With Capital Grants		<u>9,628</u>	<u>9,628</u>
Decrease in Retained Earnings	(450,602)	(54,875)	(505,477)
Retained Earnings at Beginning of Year	<u>3,298,653</u>	<u>699,249</u>	<u>3,997,902</u>
Retained Earnings at End of Year	<u>\$2,848,051</u>	<u>\$644,374</u>	<u>\$3,492,425</u>

See Notes to the General Purpose Financial Statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY  
BUDGET (NON GAAP BASIS) AND ACTUAL - ALL ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$130,300	\$111,936	(\$18,364)
Charges for Services	7,218,133	5,604,987	(1,613,146)
Special Assessments	151,000	151,113	113
Interest	200	55	(145)
Other	6,700		(6,700)
<b>Total Revenues</b>	<u>7,506,333</u>	<u>5,868,091</u>	<u>(1,638,242)</u>
<b>Expenses:</b>			
Personal Services	4,552,615	4,519,573	33,042
Contractual Services	747,481	729,034	18,447
Materials and Supplies	705,527	647,801	57,726
Other	194,116	142,132	51,984
Capital Outlay	38,915	37,493	1,422
Debt Service:			
Principal Retirement	190,845	190,845	
Interest and Fiscal Charges	174,317	174,317	
<b>Total Expenses</b>	<u>6,603,816</u>	<u>6,441,195</u>	<u>162,621</u>
Excess of Revenues Over (Under) Expenses	902,517	(573,104)	(1,475,621)
Advances - In	13,490	140,970	127,480
Advances - Out	(198,600)	(198,600)	
Operating Transfers - In	498,119	498,005	(114)
Excess of Revenues Over (Under) Expenses, Advances, and Transfers	1,215,526	(132,729)	(1,348,255)
Fund Equity at Beginning of Year	332,609	332,609	
Prior Year Encumbrances Appropriated	93,038	93,038	
<b>Fund Equity at End of Year</b>	<u>\$1,641,173</u>	<u>\$292,918</u>	<u>(\$1,348,255)</u>

See Notes to the General Purpose Financial Statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Unit</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received From Customers and Support	\$5,868,378	\$371,025	\$6,239,403
Cash Paid for Employee Services and Benefits	(4,519,573)	(309,894)	(4,829,467)
Cash Paid to Suppliers	(1,273,479)	(96,654)	(1,370,133)
Other Operating Expenses	(140,420)		(140,420)
Net Cash Used for Operating Activities	<u>(65,094)</u>	<u>(35,523)</u>	<u>(100,617)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Contributions and Donations		44,280	44,280
Employee programs revenue and expense (net)		(8,128)	(8,128)
Subsidy from County Board		169,964	169,964
Expenses of Unrestricted Service Support		(169,964)	(169,964)
Advances - In	140,970		140,970
Advances - Out	(198,600)		(198,600)
Transfers - In	498,005		498,005
Net Cash Provided by Noncapital Financing Activities	<u>440,375</u>	<u>36,152</u>	<u>476,527</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(47,094)	(45,451)	(92,545)
OWDA Loan Principal Payments	(187,095)		(187,095)
OPWC Loan Principal Payments	(3,750)		(3,750)
OWDA Loan Interest Payments	(174,317)		(174,317)
Net Cash Used for Capital and Related Financing Activities	<u>(412,256)</u>	<u>(45,451)</u>	<u>(457,707)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest	50	21,520	21,570
Sale of Investments		187,644	187,644
Purchase of Investments		(207,956)	(207,956)
Net Cash Provided by Investing Activities	<u>50</u>	<u>1,208</u>	<u>1,258</u>
Net Decrease in Cash and Cash Equivalents	(36,925)	(43,614)	(80,539)
Cash and Cash Equivalents at Beginning of Year	<u>434,615</u>	<u>103,285</u>	<u>537,900</u>
Cash and Cash Equivalents at End of Year	<u>\$397,690</u>	<u>\$59,671</u>	<u>\$457,361</u>

(Continued)



**FINANCIAL CONDITION  
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2002  
FOR THE YEAR ENDED JUNE 30, 2002 FOR COMPONENT UNIT  
(Continued)**

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Unit</u>	
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>			
Operating Loss	(\$771,903)	(\$85,442)	(\$857,345)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>			
Depreciation	374,817	44,661	419,478
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(198,817)	6,827	(191,990)
Decrease in Special Assessments Receivable	145,267		145,267
Decrease in Due from Other Funds	1,520		1,520
Decrease in Due from Other Governments	181,497		181,497
Decrease in Materials and Supplies Inventory	526		526
Increase in Prepaid Items	(1,481)		(1,481)
Increase (Decrease) in Accounts Payable	127,319	(334)	126,985
Decrease in Contracts Payable	(9,954)		(9,954)
Decrease in Retainage Payable	(3,524)		(3,524)
Increase (Decrease) in Accrued Wages	42,569	(1,235)	41,334
Increase in Compensated Absences Payable	19,532		19,532
Decrease in Due to Other Funds	(1,241)		(1,241)
Increase in Due to Other Governments	28,779		28,779
Net Cash Used for Operating Activities	<u>(\$65,094)</u>	<u>(\$35,523)</u>	<u>(\$100,617)</u>

**Non-Cash Transactions:**

During 2002, general fixed assets were transferred to the enterprise funds and capitalized at \$138,261, the book value on the date donated.

**Non-Cash Transactions (Component Unit):**

During 2002, depreciation on assets acquired through grants of the component unit was \$9,628.

*See Notes to the General Purpose Financial Statements.*

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**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

**Discretely Presented Component Unit**

The component unit column in the 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.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

- Shelby County General Health District
- Shelby County Soil Conservation District
- Shelby County Regional Planning Commission
- Shelby County Disaster Services
- Shelby County Park District
- Shelby County Special Emergency Planning
- Shelby County Family and Children First

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations, a related organization, an insurance purchasing pool, and risk sharing pools. 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), the West Central Ohio Network (West Con), and the North Central Ohio Solid Waste Management District (the District), 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. An insurance purchasing pool is an organization with a group of governments to pool funds or resources to purchase commercial insurance policies. The risk sharing pools of the County, the Midwest Employee Benefit Consortium (MEBC), and the Mid West Pool Risk Management Agency, Inc. (the Pool) are presented in Note 25 of the general purpose financial statements. A risk sharing pool is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk.

**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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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 available expendable 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 and special assessment 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).

**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:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**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 fixed assets of the County, other than those fixed assets accounted for in the enterprise funds. These assets do not represent financial resources available for expenditure.

**General Long-Term Obligations Account Group**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(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 Statements and Interpretations 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 the 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 are generally 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 (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the enterprise funds.

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: 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.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met, and payments received before services are provided, are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**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 appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department 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 for all budgeted funds 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.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(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 year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the amended certificate in effect at the time the final appropriations were adopted.

**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. 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. Appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses.)

**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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**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 year and is not reappropriated.

**C. Cash and Cash Equivalents**

Cash balances of the County's funds, except 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. 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 2002, the County invested in the following: repurchase agreements, First American Treasury Obligations, United States Treasury Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association (FNMA) Bonds, Federal Home Loan Mortgage Corporation (FHLMC) Bonds, and Federal Farm Credit Bank 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 \$435,756 was credited to the General Fund during 2002, which includes \$351,906 assigned from other county funds.

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.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**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 expendable available 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, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure 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" or "Advances Payable," with the Advances Receivable being equally offset by a fund balance reserve account which indicates that they do not constitute expendable available 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.

**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 costs 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**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

**3. 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 2002, interest costs incurred on construction projects in enterprise funds were not material.

**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. Beginning in 2001, GASB Statement No. 33 requires that capital contributions from other governments and private sources be recorded as revenue and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

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.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the 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 employees' wage rates at year-end, taking into consideration any limits specified in the County's termination policy.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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.

**K. 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 pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available expendable financial resources. Bonds, capital leases and long-term notes and 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.

**L. Reserves of Fund Balance**

The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable 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.

**M. 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.

**N. Estimates**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**O. 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 "Totals" columns on statements which do not include a component unit have no additional caption.

**3. RESTATEMENT OF FUND BALANCE**

Fund Balance increased in the capital projects funds by \$1,063,833 from \$806,116 to \$1,869,949 for a restatement of notes payable and accrued interest payable in the Permanent Improvement Capital Projects Fund at December 31, 2001. Notes payable in the General Long-Term Obligations Account Group increased by \$1,000,000, from \$1,000,000 to \$2,000,000, causing total liabilities to increase from \$2,670,066 to \$3,670,066 at December 31, 2001.

**4. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (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).

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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).
6. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. The amounts are included as revenue on the GAAP basis operating statement.

Adjustments necessary to convert the results of operations at the end of the year on the GAAP basis to the budget 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	(\$1,263,257)	(\$1,301,281)	(\$1,317)	\$1,667,489	\$10,455
Adjustments:			0		
Revenue Accruals	143,085	(132,606)	0	(68,689)	547
Expenditure Accruals	25,164	323,923	0	(59,330)	(1,456)
Unrecorded Cash 2001	201,992	236,253	0	0	0
Unrecorded Cash 2002	(126,253)	(282,314)	0	0	0
Change in Fair Value of Investments	(125,606)	0	0	0	0
Prepaid Items	(83,276)	(11,567)	0	9,981	0
Encumbrances	(147,499)	(1,038,926)	0	(1,163,896)	(100)
Advances	(126,200)	400,510	0	(216,680)	0
Budget Basis	<u>(\$1,501,850)</u>	<u>(\$1,806,008)</u>	<u>(\$1,317)</u>	<u>\$168,875</u>	<u>\$9,446</u>

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

GAAP Basis	(\$450,602)
Adjustments:	
Revenue Accruals	118,720
Expense Accruals	203,604
Unrecorded Cash 2001	742
Unrecorded Cash 2002	(1,080)
Materials and Supplies Inventory	(526)
Prepaid Items	1,481
Capital Outlay	(37,493)
Debt Principal	(190,845)
Loss on Disposal of Fixed Assets	2,437
Encumbrances	(96,354)
Advances	(57,630)
Depreciation	374,817
Budget Basis	<u>(\$132,729)</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**5. ACCOUNTABILITY**

The following funds had deficit fund balances as of December 31, 2002:

	<b>Deficit Fund Balances</b>
<u>Special Revenue Funds:</u>	
Public Assistance	\$419,799
Child Support Enforcement Agency	129,764
MRDD Fund	123,554
MRS Daycare	35,354
Ohio Department of Education	22,713
Recycle Ohio Grant	7,434
 <u>Capital Projects Funds:</u>	
Kies Ditch Construction	22,254
King-Elsass Ditch Construction	3,118
Martin Ditch Construction	3,573
Mill Branch Ditch Construction	11,699
Rose Ditch Construction	607
Watergate Ditch Construction	3,871

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 are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the 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 may be deposited or invested in the following securities:

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

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

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 \$35,512 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investment (including Repurchase Agreements), and Reverse Repurchase Agreements."

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**A. Deposits**

At year-end, the carrying amount of the County's deposits was \$5,707,188 and the bank balance was \$6,422,520. Of the bank balance, \$550,061 was covered by federal deposit insurance and \$5,872,459 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

**B. Investments**

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

GASB Statement No. 3 requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Carrying/Fair Value</b>
Repurchase Agreements	\$0	\$0	\$219,415	\$219,415
First American Treasury Obligations	0	174,380	0	174,380
U.S. Treasury Notes	500,000	1,195,754	0	1,695,754
Federal Home Loan Bank Bonds	500,000	2,372,580	0	2,872,580
Federal National Mortgage Association (FNMA) Bonds	0	1,803,148	0	1,803,148
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	0	3,499,978	0	3,499,978
Federal Farm Credit Bank Bonds	0	351,206	0	351,206
<b>Total</b>	<b>\$1,000,000</b>	<b>\$9,397,046</b>	<b>\$219,415</b>	<b>\$10,616,461</b>

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., "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

	<b>Primary Government</b>	
	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$16,292,223	\$66,938
Cash on Hand	(35,512)	0
Investments:		
Certificates of Deposit	66,938	(66,938)
Repurchase Agreements	(219,415)	219,415
First American Treasury Obligations	(174,380)	174,380
U.S. Treasury Notes	(1,695,754)	1,695,754
Federal Home Loan Bank Bonds	(2,872,580)	2,872,580
Federal National Mortgage Association (FNMA) Bonds	(1,803,148)	1,803,148
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	(3,499,978)	3,499,978
Federal Farm Credit Bank Bonds	(351,206)	351,206
GASB Statement No. 3	\$5,707,188	\$10,616,461

**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 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility) are for 2002 taxes.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

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

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes. 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.

The full tax rate for all County operations for the year ended December 31, 2002, was \$5.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Agricultural/Residential Real Property	\$540,156,050
Other Real Property	150,940,660
Tangible Personal Property	270,948,716
Public Utility Personal Property	42,323,150
Total Assessed Value	<u>\$1,004,368,576</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

**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, Debt Service 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 2002 amounted to \$6,947,722.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**9. RECEIVABLES**

Receivables at December 31, 2002, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, interest, due from other funds, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, advances, notes, and loans. The special assessments receivable in the enterprise funds represent assessments to property owners for the new sewer system that have been assessed to property owners on the tax duplicate.

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:

	<b>Juvenile Court Fines</b>	<b>Clerk of Courts/ Common Pleas Court Fines</b>	<b>Sheriff's Department Court Costs and Fines</b>	<b>Other Receivables</b>	<b>Total Receivables</b>
Receivable	\$427,018	\$2,974,226	\$19,052	\$616,879	\$4,037,175
Allowance for Uncollectibles	(213,509)	(2,107,141)	(9,526)	0	(2,330,176)
Net Accounts Receivable	<u>\$213,509</u>	<u>\$867,085</u>	<u>\$9,526</u>	<u>\$616,879</u>	<u>\$1,706,999</u>

A summary of intergovernmental receivables follows:

<b><u>General Fund</u></b>	<b><u>Amount</u></b>
Medicare	\$5,005
Congregate Site and Home Delivered	12,002
Public Defender Reimbursements	44,490
Miscellaneous Reimbursement	594
Homestead and Rollback	187,986
Election Cost Reimbursement	5,018
Total General Fund	<u>255,095</u>

<b><u>Special Revenue Funds</u></b>	
Public Assistance Payments	61,199
Children Services	66,043
Township Reimbursements	18,780
BMV Reimbursements	1,209
City of Sidney Payroll Reimbursement	4,798
CAFS	64,749
Special Education	19,150
Inservice Training	625
Motor Vehicle License Tax	1,301,714
Gasoline Tax	672,752
Homestead and Rollback	431,393
Title XX	35,339

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**9. RECEIVABLES (Continued)**

<b><u>Special Revenue Funds (Continued)</u></b>	<b><u>Amount</u></b>
Literacy Grant	1,000
Juvenile Accountability Grant	1,500
Community Corrections Act Grant	25,192
DARE Grant	11,519
CHIP-HOME Grant	850
CHIP-CDBG Grant	22,620
Victims of Crime Assistance Grant	17,175
SVAA Grant	34,014
Recycle Ohio Grant	7,774
Title VI-B Grant	47,772
Handicap Preschool Grant	40,781
Care and Custody Grant	9,052
Cops in Schools Grant	41,972
Ohio Children's Trust Grant	5,686
Children's Services Underfunded	85,582
Total Special Revenue Funds	<u>3,030,240</u>
<b><u>Capital Projects Fund</u></b>	
Mobile Data Grant	59,499
Issue II Grant	163,843
Total Capital Projects Funds	<u>223,342</u>
<b><u>Agency Funds</u></b>	
Motor Vehicle License	349,240
Gasoline Tax	340,590
Local Government	1,520,863
Local Government Revenue Assistance	257,372
Library and Local Government	1,268,079
Homestead and Rollback	72,233
Help Me Grow Grant	56,535
Family Stability Grant	12,000
Public Health Infrastructure Grant	21,494
Well Child Direct Care Services	38,032
Department of Domestic Preparedness Grant	22,640
Total Agency Funds	<u>3,959,078</u>
Total All Funds	<u>\$7,467,755</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**9. RECEIVABLES (Continued)**

**A. Notes and Loans Receivable**

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and downpayment assistance. Some of the notes require monthly payments at various interest rates for up to ten years, while other notes are deferred until the owner sells the house. At December 31, 2002, the total amount of notes receivable of the Federal Revolving Loan Special Revenue Fund was \$1,011,718. The County has an outstanding loan receivable from the Fair Board in the amount of \$22,500. The loan is an interest free loan that was issued in 1997.

**10. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at December 31, 2002, follows:

Land and Improvements	\$632,165
Buildings and Improvements	3,872,263
Machinery and Equipment	615,332
Furniture and Fixtures	175,558
Vehicles	605,934
Infrastructure	7,760,006
Total	13,661,258
Less accumulated depreciation	(3,561,651)
Net Book Value	\$10,099,607

A summary of the changes in general fixed assets during 2002 follows:

	<b>Balance at December 31, 2001</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at December 31, 2002</b>
Land and Improvements	\$485,697	\$0	\$0	\$485,697
Buildings and Improvements	21,703,593	511,032	6,339	22,208,286
Machinery and Equipment	2,858,970	581,056	318,479	3,121,547
Furniture and Fixtures	430,153	278,603	28,114	680,642
Vehicles	4,127,924	467,188	384,349	4,210,763
Construction in Progress	0	754,686	0	754,686
Total General Fixed Assets	\$29,606,337	\$2,592,565	\$737,281	\$31,461,621

**11. RISK MANAGEMENT**

**A. Property and Liability**

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 2002, the County contracted with Midwest Pool Risk Management Agency, Inc. for liability, property and crime insurance.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. RISK MANAGEMENT (Continued)**

Coverage provided by the insurance pool is as follows:

Liability	
(A) General, Auto, Law, and Nursing Home	
Liability Combined (per occurrence)	\$900,000
(B) Public Official Errors and Omissions	
Liability (per occurrence – included above)	900,000
Aggregate	900,000
Property	57,831,272
Flood and Earthquake	36,000,000
Boiler and Machinery	30,000,000
Builder's Risk	1,000,000
Crime Insurance:	
Forgery or Alteration	225,000
Employee Dishonesty	225,000
Money and Securities	225,000

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There have been no significant reductions in insurance coverage from last year.

**B. Health Care Benefits**

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 (MEBC), a risk sharing pool, to provide for health, dental and life insurance (See Note 25). MEBC 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 MEBC maintains its own books of account. Budgeting and financing of MEBC is subject to the approval of the Board.

The County pays monthly contributions to MEBC, which are used to purchase excess loss insurance for MEBC, 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 MEBC. The members' contributions represent 115 percent of the expected costs of MEBC, which will allow MEBC to establish excess reserves for future operations. The funds are maintained in a bank trust account established for the sole purpose and benefit of MEBC's operations.

MEBC 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 MEBC 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 MEBC 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 MEBC, 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 MEBC. No such loss has occurred in the past three years.



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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. RISK MANAGEMENT (Continued)**

The County currently has no specified percentage share of MEBC. The only time at which a percentage share would be calculated occurs if MEBC votes to terminate. After a vote to terminate MEBC, the Board would wind up MEBC'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, MEBC would continue to pay all claims and expenses until MEBC'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 MEBC 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 2002 was \$2,063,201.

**C. Workers' Compensation**

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2002, 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.

**12. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

**FINANCIAL CONDITION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

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

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2002 employer pension contribution rate for the County was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Also, the law enforcement contribution rate for the County was 11.70 percent of covered payroll, a decrease from 12.40 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$1,471,114, \$1,707,554, and \$896,926, respectively. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 75.09 percent with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group.

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

For the year ended December 31, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2002, 2001 and 2000 totaled \$77,121, \$65,331, and \$38,404, respectively. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 95.49 percent with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group.

**13. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion that was used to fund health care. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

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

The number of active contributing participants was 402,041. The County's actual contributions for 2002 which were used to fund postemployment benefits were \$834,515. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**B. State Teachers Retirement System**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$36,531 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**14. DEFERRED COMPENSATION PLANS**

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

**15. CAPITAL LEASES - LESSEE DISCLOSURE**

During 2002, 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 of governmental funds 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 expenditures in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Machinery and equipment acquired by lease has been capitalized in the General Fixed Assets Account Group at \$106,062, 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. Some of the new leases entered into during 2002 replaced a previous lease before the lease term was over. As a result, the County decreased its liability \$2,573. Principal payments made during 2002 totaled \$20,699.

Equipment acquired by lease has been capitalized in the Enterprise Funds at \$16,392, the book value of the asset at December 31, 2002. A corresponding liability was recorded in the enterprise funds. There were no principal payments made in 2002.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

<u>Year Ending December 31,</u>	<u>GLTDAG</u>	<u>Enterprise</u>
2003	\$26,981	\$6,608
2004	26,989	6,608
2005	26,610	6,608
2006	7,984	6,608
2007	944	6,608
Total	<u>89,508</u>	<u>33,040</u>
Less: Amount Representing Interest	<u>(10,136)</u>	<u>(16,648)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$79,372</u></u>	<u><u>\$16,392</u></u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**16. LONG-TERM DEBT (Continued)**

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

	Restated Balance at 12/31/01	Increases	Decreases	Balance at 12/31/02
<u>Note Payable:</u>				
2002 Job and Family Services Building Note – 2.06%	\$2,000,000	\$1,000,000	\$2,000,000	\$1,000,000
 <u>OWDA Loan Payable:</u>				
1992 Meadowlane – 7.62%	46,674	0	3,280	43,394
 <u>General Obligation Bonds Payable:</u>				
2002 MRDD Series A Bonds – 3.34%	0	1,100,000	0	1,100,000
2002 MRDD Series B Bonds – 3.34%	0	1,881,000	0	1,881,000
Total Bonds Payable	0	2,981,000	0	2,981,000
 <u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	1,099,171	58,568	0	1,157,739
Due to Other Governments	435,358	450,451	435,358	450,451
Capital Leases Payable	88,863	13,781	23,272	79,372
Total Other Long-Term Obligations	1,623,392	522,800	458,630	1,687,562
Total General Long-Term Obligations	\$3,670,066	\$4,503,800	\$2,461,910	\$5,711,956

The Job and Family Services Building note was issued on February 28, 2002, in the amount of \$1,000,000 for the purpose of paying the cost of constructing a building to house the Department of Job and Family Services. The note was issued at a 2.06 percent interest rate and will reach maturity on February 28, 2003. The note will be paid from the Permanent Improvement Capital Projects Fund.

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. In the event the property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

The MRDD Series A Bonds were issued on December 1, 2002, in the amount of \$1,100,000 for the purpose of constructing an addition to, and improving, furnishing, equipping, and landscaping the County owned Shelby Hill Early Childhood Center, and improving the County owned Early Intervention Center. The bonds are general obligation serial bonds maturing on December 1, 2007 and will be paid from the General Bond Retirement Debt Service Fund.

The MRDD Series B Bonds were issued on December 1, 2002, in the amounts of \$1,881,000 for the purpose of constructing an addition to, and furnishing, equipping, and landscaping the County owned S&H Products, Plant 2. The bonds are general obligation serial bonds and will be paid from the General Bond Retirement Debt Service Fund.

**FINANCIAL CONDITION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**16. LONG-TERM DEBT (Continued)**

Compensated absences and due to other governments will be paid from the funds from which the employees' salaries are paid. Capital lease obligations will be paid from the General Fund and the Public Assistance Special Revenue Fund.

Changes in the long-term obligations reported in the enterprise funds during 2002 were as follows:

	<b>Balance at 12/31/01</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 12/31/02</b>
<u>Loans Payable:</u>				
1998 OPWC Loan – 0.00%	\$61,875	\$0	\$3,750	\$58,125
1991 OWDA Loan – 7.59%	2,296,667	0	187,095	2,109,572
Total Loans Payable	<u>2,358,542</u>	<u>0</u>	<u>190,845</u>	<u>2,167,697</u>
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	230,677	19,532	0	250,209
Due to Other Governments	137,516	166,295	137,516	166,295
Capital Leases Payable	0	16,392	0	16,392
Total Other Long-Term Obligations	<u>368,193</u>	<u>202,219</u>	<u>137,516</u>	<u>432,896</u>
Total Enterprise Long-Term Obligations	<u>\$2,726,735</u>	<u>\$202,219</u>	<u>\$328,361</u>	<u>\$2,600,593</u>

The OPWC loan is a twenty year loan that was issued for the purpose of making improvements to the Arrowhead Hills Water System. 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 will be paid from the Sewer Enterprise Fund's operating revenues and the OWDA loan will be repaid from special assessments received within the Sewer Enterprise Fund. In the event the property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet the annual principal and interest payments.

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, 2002, are an overall debt margin of \$19,565,776 and an unvoted debt margin of \$6,047,483.

The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

**FINANCIAL CONDITION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**16. LONG-TERM DEBT (Continued)**

Year	General Obligation Bond Anticipation Note	General Obligation OWDA Loan Payable	General Obligation Bonds Payable	Total General Obligations
2003	\$1,020,428	\$3,543	\$638,311	\$1,662,282
2004	0	6,837	647,396	654,233
2005	0	6,837	657,491	664,328
2006	0	6,837	667,618	674,455
2007	0	6,837	672,743	679,580
2008-2012	0	30,766	0	30,766
Total	<u>\$1,020,428</u>	<u>\$61,657</u>	<u>\$3,283,559</u>	<u>\$4,365,644</u>

Year	OWDA Loan	OPWC Loan	Total Enterprise Fund Obligations
2003	\$180,706	\$1,875	\$182,581
2004	361,412	3,750	365,162
2005	361,412	3,750	365,162
2006	361,412	3,750	365,162
2007	361,412	3,750	365,162
2008-2012	1,264,940	18,750	1,283,690
2013-2017	0	18,750	18,750
2018	0	3,750	3,750
Total	<u>\$2,891,294</u>	<u>\$58,125</u>	<u>\$2,949,419</u>

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,510,000 outstanding at December 31, 2002, 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 \$42,090,000 outstanding at December 31, 2002. During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,735,000 outstanding at December 31, 2002. During 2002, health care facilities revenue bonds were issued with the principal amount of \$46,390,000 outstanding at December 31, 2002. All of these bond issues were for facilities used by the Dorothy Love Retirement Community. The County is not obligated in any way to pay debt charges on the bond from any of its funds, and therefore it has been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

The County issued hospital revenue bonds in 1992, 1996, and 1997 with the principal amount of \$9,115,000, \$3,381,029, and \$1,761,864 outstanding, respectively, at December 31, 2002. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**17. INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2002, 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	\$911,194	\$22,088	\$149,190	\$60,500	\$88,763	\$0
<u>Special Revenue Funds:</u>						
Dog and Kennel Fund	0	162	0	0	0	0
Public Assistance Fund	60,000	99,933	0	0	0	0
Real Estate Assessment Fund	8,292	25	0	0	0	0
Auto License and Gas Tax Fund	4,447	1,000	0	0	0	0
Ditch Maintenance Fund	0	0	0	1,578	0	0
Child Support Enforcement Agency Fund	0	24,735	0	0	0	0
Probate Court Fund	0	35	0	0	0	0
MRDD Fund	21,622	610	53,500	400,000	0	0
Children Services Fund	915	60,000	0	0	0	0
Ohio Dept of Education Fund	0	0	0	21,500	0	0
Community Corrections Grant Fund	0	0	0	5,000	0	0
Recycle Ohio Fund	0	0	0	9,000	0	0
MRS Daycare Fund	516	0	0	32,000	0	0
SCATS Grant Fund	17,837	616	0	0	0	0
<b>Total Special Revenue Funds</b>	<b>113,629</b>	<b>187,116</b>	<b>53,500</b>	<b>469,078</b>	<b>0</b>	<b>0</b>
<u>Capital Projects Funds:</u>						
Clayton Ditch Construction Fund	0	0	0	16,413	0	0
Kies Ditch Construction Fund	0	0	0	0	0	57,850
King-Elsass Ditch Construction Fund	0	0	0	0	0	8,747
Martin Ditch Construction Fund	0	0	0	0	0	74,212
Watergate Ditch Construction Fund	0	0	0	0	0	5,901
Mill Branch Ditch Construction Fund	0	0	0	0	0	15,292
Rose Ditch Construction Fund	0	0	0	0	0	973
Permanent Improvement Fund	0	0	66,837	0	74,212	0
MRDD Construction	0	0	400,000	0	0	0
<b>Total Capital Projects Funds</b>	<b>0</b>	<b>0</b>	<b>466,837</b>	<b>16,413</b>	<b>74,212</b>	<b>162,975</b>



**FINANCIAL CONDITION  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**17. INTERFUND TRANSACTIONS (Continued)**

<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>
Fair Haven Home Fund	17,810	117	0	126,200	0	0
Sewer Fund	0	0	0	6,336	0	0
Recycling Center Fund	21	0	9,000	0	0	0
Total Enterprise Funds	<u>17,831</u>	<u>117</u>	<u>9,000</u>	<u>132,536</u>	<u>0</u>	<u>0</u>
<u>Agency Funds:</u>						
Health Fund	3,330	0	0	0	0	0
Undivided Tax Fund	0	57,131	0	0	0	0
Undivided Income Tax Fund	0	779,532	0	0	0	0
Total Agency Funds	<u>3,330</u>	<u>836,663</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Funds	<u>\$1,045,984</u>	<u>\$1,045,984</u>	<u>\$678,527</u>	<u>\$678,527</u>	<u>\$162,975</u>	<u>\$162,975</u>

**18. SEGMENT INFORMATION**

The County's enterprise funds account for the collection and handling of refuse, the county home, the provision of sewer services, and the recycling center. Key financial information as of and for the year ended December 31, 2002, for each enterprise fund is as follows:

	<b>Fair Haven</b>				<b>Total</b>
	<b>Landfill</b>	<b>Home</b>	<b>Sewer</b>	<b>Recycling</b>	
Operating Revenues	\$0	\$5,000,094	\$496,143	\$253,421	\$5,749,658
Depreciation Expense	15,660	92,484	210,204	56,469	374,817
Operating Loss	(27,078)	(472,201)	(272,141)	(483)	(771,903)
Interest Income	0	0	0	50	50
Loss on Disposal of Fixed Assets	0	0	(2,437)	0	(2,437)
Interest and Fiscal Charges	0	0	(174,317)	0	(174,317)
Operating Transfers - In	0	0	498,005	0	498,005
Net Income (Loss)	(27,078)	(472,201)	49,110	(433)	(450,602)
Fixed Asset Additions	0	27,945	19,149	0	47,094
Current Contributed Capital	0	11,541	0	126,720	138,261
Fixed Asset Deletions	0	0	6,500	0	6,500
Net Working Capital	69,454	61,748	1,214,889	121,300	1,467,391
Total Assets	442,598	2,627,697	8,327,261	861,706	12,259,262
Long-Term Compensated Absences Payable	0	186,890	29,831	9,782	226,503
Long-Term Loans Payable	0	0	2,065,174	0	2,065,174
Long-Term Capital Leases Payable	0	14,811	0	0	14,811
Total Fund Equity	442,598	1,733,277	6,081,824	837,124	9,094,823
Total Encumbrances at December 31, 2002	0	28,240	62,461	5,653	96,354

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2002, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/02</u>
Magnum Music Center	Courthouse Sound System	\$5,266	\$0	\$5,266
Maximus Inc.	GASB 34 Implementation Services	42,000	11,000	31,000
Choice One Engineering	Engineering Fees	232,328	180,262	52,066
SCSRM Concrete Co.	Concrete for Various Bridge Projects	10,000	0	10,000
Burgess and Niple Engineering	Great Miami Bridge Replacement	154,900	115,858	39,042
Dayton Power and Light	Social Services Building	15,000	0	15,000
Pro-Terra	Hickory Dell	43,681	3,295	40,386
Choice One Engineering	Newport General Plan	18,655	11,193	7,462
Ferguson Construction Co.	County S & H Products Addition	1,469,036	754,686	714,350
Freytag & Associates	Social Services Building	161,282	143,856	17,426
T & T Contracting	Home Repairs	20,242	0	20,242
<b>Totals</b>		<u>\$2,172,390</u>	<u>\$1,220,150</u>	<u>\$952,240</u>

**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, 2001, to June 30, 2002.

**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 "Investments in Segregated Accounts."

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

At year-end, the carrying amount of deposits for S and H Products was \$257,832 and the bank balance was \$261,677. The entire bank balance was covered by federal depository insurance.

During 2002, S and H Products invested in mutual funds, which are an uncategorized investment. At year-end, the fair value of the mutual fund investments was \$214,670. 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 cash equivalents and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$59,671	\$412,831
Investments:		
Certificates of Deposit	198,161	(198,161)
GASB Statement No. 3	\$257,832	\$214,670

**D. Fixed Assets**

A summary of S and H Products' fixed assets at December 31, 2002, follows:

Building	\$42,000
Leasehold Improvements	76,977
Shop and Office Equipment	177,016
Transportation Equipment	122,811
Total	418,804
Less accumulated depreciation	(200,926)
Net Book Value	\$217,878

Depreciation is provided on a straight-line basis over an estimated useful life of 39 years for buildings, 25 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment.

**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. Depreciation on these assets during fiscal year 2002 was \$9,628.

**F. Segment Information**

Net working capital for S and H Products was \$481,083. During 2002, S and H Products acquired fixed assets in the amount of \$45,451 and disposed of fixed assets in the amount of \$144,667. Other segment information can be obtained in the combined financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**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 2002, the County contributed \$82,794 (50 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 Tom Cisco, Director, located at 800 Fair Road, Sidney, Ohio 45365.

**B. Shelby County Regional Planning Commission**

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The County contributed \$3,207 (4.5 percent) of total revenue during 2002 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 Gary Bensman, Director, 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2002, a tax levy provided \$423,769 (28 percent of total tax revenue) for the operations of the organization.

**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 made one payment of \$85,000 to the West Central Ohio Network during 2002.

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

The North Central Ohio Solid Waste Management District (the District) is a jointly governed organization among Shelby, Allen, Champaign, Hardin, Marion, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. During 2002, Shelby County made no payments to the District for solid waste fees. Allen County serves as fiscal agent for the District. Complete financial statements can be obtained from the District, Allen County, Ohio.

**23. RELATED ORGANIZATION**

**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 providing 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 2002, the County did not have any financial contributions to the operation of the SMHA.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**24. INSURANCE PURCHASING POOL**

**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 2002, the County was required to contribute \$2,089 to the CCAOSC.

**25. RISK SHARING POOLS**

**A. Midwest Employee Benefit Consortium**

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

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

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

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by Mercer, Hancock, Auglaize, Van Wert and Shelby Counties for the purpose of establishing an insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by the Pool. The coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees.

Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeted and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**26. RELATED PARTY TRANSACTIONS**

S and H Products, a discretely presented component unit of Shelby County, has entered into a contractual agreement with the Shelby County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The MRDD provides the workshop with personnel 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 and H Products.

The additional income and related expenses are reflected in the financial statements of the component unit. In 2002, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were \$169,964. In other transactions with Shelby County, S and H Products received \$4,299 from the County for goods and services.

**27. CONTRIBUTED CAPITAL**

During 2002, governmental funds purchased fixed assets for the enterprise funds in the amount of \$138,261, causing contributed capital in the enterprise funds to increase from \$6,108,511 at December 31, 2001 to \$6,246,772 at December 31, 2002.

**28. 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.

**29. SUBSEQUENT EVENTS**

On February 27, 2003, the Commissioner's passed a resolution authorizing the issuance of a \$1,000,000 general obligation bond anticipation note for the purpose of paying part of the cost of constructing a building to house the Department of Job and Family Services. The interest rate on the note is 1.48%, and it matures on February 26, 2004.

**FINANCIAL CONDITION  
SHELBY COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grant	B-C-99-070-1	14.228	\$21,226
	B-C-01-070-1	14.228	90,198
	B-F-01-070-1	14.228	112,000
Total Community Development Block Grant			<u>223,424</u>
Home Investment Partnership Program	B-C-99-070-2	14.239	76,456
	B-C-01-070-2	14.239	37,836
Total Home Investment Partnership Program			<u>114,292</u>
Total U.S. Department of Housing and Urban Development			<u><b>337,716</b></u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Victims of Crime Act	N/A	16.575	22,899
COPS More Grant	01-CMWX0342	16.710	161,760
Total U.S. Department of Justice			<u><b>184,659</b></u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>(Passed Through Area Agency on Aging):</i>			
Food Distribution	N/A	10.570	<u><b>26,195</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Cluster			
Title VI-B - Special Education Grants to States	071159-6B-SF-03	84.027	18,974
	071159-6B-SF-02	84.027	39,351
Total Special Education Grants to States			<u>58,326</u>
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-03	84.173	18,040
	071159-PG-SI-02	84.173	33,913
Total Special Education Preschool Grants			<u>51,953</u>
Total Special Education Cluster			<u>110,279</u>
Special Education Grants for Infants and Families with Disabilities	75-1-03-F-AN-392-2001	84.181	287
Total U.S. Department of Education			<u><b>110,565</b></u>



**FINANCIAL CONDITION  
SHELBY COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Workforce Investment Act Cluster			
Workforce Investment Act - Adult	N/A	17.258	116,524
Workforce Investment Act - Adult Administrative			14,484
Workforce Investment Act - Adult Total			<u>131,008</u>
Workforce Investment Act - Youth	N/A	17.259	179,738
Workforce Investment Act - Youth Administrative			6,699
Workforce Investment Act - Total			<u>186,437</u>
Workforce Investment Act - Dislocated Worker	N/A	17.260	85,428
Workforce Investment Act - Dislocated Worker Administrative			6,475
Workforce Investment Act - Dislocated Worker Total			<u>91,903</u>
Total Workforce Investment Act Cluster			<u>409,348</u>
Job Placement Training Act - Youth		17.246	19,592
Job Placement Training Act - Adult		17.250	13,757
Total Job Placement Training Act			<u>33,349</u>
Total U.S. Department of Labor			<u><b>442,697</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>(Passed Through Area Agency on Aging):</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	41,819
Title III-C - Special Programs for the Aging	N/A	93.045	68,256
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Family Preservation and Support Services Grant	N/A	93.556	10,102
Title IV-B - Child Welfare Services State Grants	N/A	93.645	36,951
<i>(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):</i>			
Title XX - Social Services Block Grant	MR-75-FY03	93.667	9,986
	MR-75-FY02	93.667	30,539
Total Title XX - Social Services Block Grant			<u>40,525</u>
Medicaid (Medical Assistance Programs)	7500010-CY02	93.778	197,943
	7500010-CY01	93.778	82,772
Total Medicaid (Medical Assistance Programs)			<u>280,715</u>
Total U.S. Department of Health and Human Services			<u><b>478,368</b></u>
<b>Total</b>			<u><b>\$1,580,201</b></u>

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

**SHELBY COUNTY  
FINANCIAL CONDITION**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - FOOD DISTRIBUTION**

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

These loans are collateralized by mortgages on the property. At December 31, 2002, the gross amount of loans outstanding under this program were \$1,011,718.

**NOTE E - 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 F - COMMINGLING**

Federal funds received from the Workforce Investment Act, Medicaid and Aging Cluster were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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

We have audited the financial statements of Shelby County (the "County") as of and for the year ended December 31, 2002, and have issued our report thereon dated August 5, 2003. 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 in our opinion, insofar, as it relates to the amounts included for the component unit, is based on the report of 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 the County in a separate letter dated August 5, 2003.

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

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 the County in a separate letter dated August 5, 2003.

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

This report is intended for the information and use of the fiscal report review committee, 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.

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

**Betty Montgomery**  
Auditor of State

August 5, 2003



## Auditor of State Betty Montgomery

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

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

#### Compliance

We have audited the compliance of Shelby County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. 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 the County's compliance based on our audit.

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

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, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated August 5, 2003.

#### 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.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted 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 August 5, 2003

This report is intended for the information and use of the fiscal report review committee, 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.



**Betty Montgomery**  
Auditor of State

August 5, 2003

**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FISCAL YEAR ENDED DECEMBER 31, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant (CFDA 14.228) Medicaid (CFDA 93.778) Workforce Investment Act (CFDA 17.258, 17.259, & 17.260)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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**

None.



**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
FISCAL YEAR ENDED DECEMBER 31, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-60275-001	Overpayment of Severance pay for Sheriff's Department Employee.	Yes	Finding for recovery was repaid.





**Auditor of State  
Betty Montgomery**

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## **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  
SEPTEMBER 30, 2003**