



**Auditor of State
Betty Montgomery**

**SHELBY COUNTY
FINANCIAL CONDITION**

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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 financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows where applicable, and the respective budgetary comparisons for the General, Public Assistance, Auto License and Gas, and MRDD funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

September 1, 2004

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shelby County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2003.

FINANCIAL HIGHLIGHTS

The County's total net assets increased \$2,934,796 during 2003. Net assets of governmental activities increased \$2,616,286 (approximately eight percent), mainly due to the reduction of due to other governments and payments on long-term liabilities for the general obligation bond payable. Net assets of business-type activities increased by \$318,510 (approximately four percent), partly due to payments on long-term liabilities for the OWDA loan. Equity in pooled cash and cash equivalents also increased due to increased operating revenues for rate increases.

The General Fund transfers out equaled \$625,657. Out of total transfers out, \$130,231 in transfers was to the Public Assistance Fund; \$257,931 was to the Children's Services Special Revenue Fund; \$196,800 was to the Sewer Fund; and \$40,695 was to subsidize various programs.

Business-type operations showed total operating revenue of \$7,028,869 and total operating expenses of \$7,111,425 for an operating loss of \$82,556. Although charges for services did not keep up with expenses overall, the Fair Haven Fund did reflect an operating gain. Total business-type unrestricted net assets were \$1,309,237. This total includes \$73,648 for Fair Haven, \$1,103,806 for Sewer, and \$131,783 for Recycling.

Capital assets, net of accumulated depreciation, increased \$3,166,500 for governmental activities. A large portion of this was due to the second and third floor renovations at the County Annex and the two projects for MRDD. One project was for an addition to the building, the other was for a new preschool building. The addition to the MRDD building was started in 2002, while all three projects were finished during 2003.

USING THIS ANNUAL FINANCIAL REPORT

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

REPORTING THE COUNTY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Shelby County's major funds are General, Public Assistance, Auto License and Gas Tax, MRDD, Bond Retirement, Fair Haven, and Sewer.

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

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

THE COUNTY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2003 compared to 2002.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$27,182,340	\$28,484,073	\$2,139,987	\$2,090,201	\$29,322,327	\$30,574,274
Capital Assets	23,687,518	20,521,018	9,072,555	9,160,057	32,760,073	29,681,075
Total Assets	50,869,858	49,005,091	11,212,542	11,250,258	62,082,400	60,255,349
Liabilities						
Long-Term Liabilities						
Due within One Year	1,613,432	1,628,752	117,971	212,115	1,731,403	1,840,867
Due in More Than One Year	3,174,210	3,714,136	2,120,188	2,222,183	5,294,398	5,936,319
Other Liabilities	9,646,272	9,842,545	570,054	730,141	10,216,326	10,572,686
Total Liabilities	14,433,914	15,185,433	2,808,213	3,164,439	17,242,127	18,349,872
Net Assets						
Invested in Capital Assets, Net of Related Debt	20,057,613	18,706,027	7,095,092	6,975,968	27,152,705	25,681,995
Restricted for:						
Other Purposes	11,615,291	9,950,607	0	0	11,615,291	9,950,607
Debt Service	177,413	114,340	0	0	177,413	114,340
Capital Outlay	1,750,583	1,557,071	0	0	1,750,583	1,557,071
Unrestricted	2,835,044	3,491,613	1,309,237	1,109,851	4,144,281	4,601,464
Total Net Assets	\$36,435,944	\$33,819,658	\$8,404,329	\$8,085,819	44,840,273	41,905,477

Accrued interest receivable decreased due to the decline in interest rates as well as declining cash balances. Permissive sales tax receivable increased around 10% due to increased sales. Special assessments receivable decreased due to payments received from property owners in 2003 that outpaced the new assessments being levied for the year. Notes receivable increased around 13% from the prior year due to new notes issued to homeowners to improve their properties and for downpayment assistance.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Accounts payable decreased due to paying bills quicker after year-end. Accrued salaries payable increased due to normal wage increases. Contracts and retainage payable decreased due to the construction project mentioned on page 3 that was winding down from 2002 to 2003. Due to other governments decreased since the majority of the retirement systems' liability for 2003 was only for one month. For 2002, the billings were done quarterly. The matured compensated absences payable increased in 2003 since there were no employees at the end of 2002 that were owed severance at year-end. Loans payable increased since there were no loans outstanding at the end of 2002.

Invested in capital assets, net of related debt, increased due to the additions to buildings for the three projects discussed earlier. Net assets restricted for other purposes increased due to equity in pooled cash and cash equivalents along with due from other governments in the Public Assistance and Auto License and Gas Funds.

The funds had increased cash balances due to program revenues outpacing program expenses. Due from other governments was also increased in the Public Assistance Fund since the fund expected to receive larger grants than in 2002. For the Auto License and Gas Fund, due from other governments increased due to increased gasoline excise tax monies.

Total net assets increased \$2,934,796. Net assets of the County's governmental activities increased by \$2,616,286, with unrestricted net assets decreasing \$656,569. Unrestricted net assets decreased mainly due to equity in pooled cash and cash equivalents decreasing due to expenses being greater than revenues for 2003.

The net assets of the County's business-type activities increased by \$318,510, while also reporting a total operating loss during 2003. This increase was due in part to the decrease in long-term liabilities from principal payments. The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the year ended December 31, 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$4,884,305	\$7,021,077	\$11,905,382
Operating Grants, Contributions and Interest	12,925,851	0	12,925,851
Capital Grants and Contributions	201	0	201
Total Program Revenues	<u>17,810,357</u>	<u>7,021,077</u>	<u>24,831,434</u>
General Revenues:			
Property and Other Taxes	7,741,291	0	7,741,291
Permissive Sales Tax	7,503,131	0	7,503,131
Grants and Entitlements	1,810,102	0	1,810,102
Other	353,793	7,828	361,621
Total General Revenues	<u>17,408,317</u>	<u>7,828</u>	<u>17,416,145</u>
Total Revenues	<u>35,218,674</u>	<u>7,028,905</u>	<u>42,247,579</u>
Program Expenses:			
General Government			
Legislative and Executive	4,261,812	0	4,261,812
Judicial	2,223,871	0	2,223,871
Public Safety	4,585,685	0	4,585,685
Public Works	5,758,427	0	5,758,427
Health	362,100	0	362,100
Human Services	13,933,464	0	13,933,464
Economic Development and Assistance	294,116	0	294,116
Other	16,340	0	16,340
Intergovernmental	483,580	0	483,580
Interest and Fiscal Charges	118,210	0	118,210
Fair Haven	0	6,002,835	6,002,835
Sewer	0	1,035,042	1,035,042
Recycling	0	237,301	237,301
Total Expenses	<u>32,037,605</u>	<u>7,275,178</u>	<u>39,312,783</u>
Increase(Decrease) in Net Assets Before Transfers	3,181,069	(246,273)	2,934,796
Transfers	(564,783)	564,783	0
Increase in Net Assets	<u>\$2,616,286</u>	<u>\$318,510</u>	<u>\$2,934,796</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Governmental Activities

Grants and entitlements is the largest source of revenue for Shelby County. This makes up approximately 42% of total revenues for 2003. The major recipients of intergovernmental program revenues were the Public Assistance, Auto License and Gas, and MRDD Funds.

Property and other taxes has remained stable from 2002 to 2003. During 2003, a few of the County's employers went through reorganization and downsizing. However, other companies expanded and new businesses were added to the economic base.

Permissive sales tax is the next largest source of revenue for the County. The County received \$7,503,131 in 2003 or about 21% of total revenues.

The County's direct charges to users of governmental services made up around 14% of total governmental revenues for 2003. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses and permits.

Human services programs accounted for approximately 43% of total expenses for governmental activities. Public works makes up approximately 18% of total expenses. Other major program expenses for governmental activities include public safety programs, which accounted for approximately 14% of total expenses, as well as general government legislative and executive, making up another 13%.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed through final appropriations almost \$5 million for capital assets, equipment and repairs. These assets included road resurfacing and safety and road maintenance equipment and vehicles.

Business-Type Activities

The net assets for business-type activities increased by \$318,510 during 2003. Charges for services were the largest revenue source, accounting for over 99% of total business-type activities revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made because they are not available.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Table 3

	Total Cost of Services 2003	Net Cost of Services 2003
Current:		
General Government:		
Legislative and Executive	\$4,261,812	\$2,076,157
Judicial	2,223,871	1,487,440
Public Safety	4,585,685	3,617,307
Public Works	5,758,427	1,381,745
Health	362,100	4,409
Human Services	13,933,464	5,235,396
Economic Development and Assistance	294,116	(166,530)
Other	16,340	16,340
Intergovernmental	483,580	456,824
Interest and Fiscal Charges	118,210	118,210
Total Expenses	<u>\$32,037,605</u>	<u>\$14,227,248</u>

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

Charges for services, operating grants, and capital grants of approximately 51% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 50% of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All Governmental funds had total revenues of \$35,901,201 and expenditures of \$37,423,383.

The General Fund is the chief operating fund of the County. At the end of the current year, unreserved fund balance of the General Fund was \$2,187,896 while total fund balance was \$2,322,131, a decrease of \$856,099 from the prior year.

The Public Assistance fund balance increased \$625,502. This increase was due mainly to an increase in intergovernmental revenue and a decrease in human services expenditures.

The Auto License and Gas fund balance increased \$964,655. This increase was due primarily to an increase in permissive sales tax revenue and in charges for services.

The MRDD fund balance decreased \$17,504 due to an increase in human services expenditure.

The enterprise funds reflect a total operating loss for 2003. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. The County Commissioners has set fees with the intention of funding operating costs and debt service. For 2003, the operating loss was due primarily to an increase in personal and contractual services.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Major Funds Budgeting Highlights

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

During 2003, there were numerous revisions to the General Fund budget. The net effect of the revisions was an increase in the appropriations of \$68,570.

Original General Fund budgeted revenues were \$11,375,340. The final budgeted amount was \$11,506,840. The majority of the increase was due to a slight increase in property and other local taxes estimated revenue.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Land	\$521,770	\$521,770	\$458,746	\$458,746
Construction in Progress	0	754,686	0	0
Buildings	20,053,177	17,159,192	2,156,412	2,234,809
Improvements Other Than Buildings				
Equipment	715,171	694,610	47,290	50,443
Furniture and Fixtures	87,173	62,272	11,062	13,312
Vehicles	1,456,206	1,328,488	184,123	204,722
Construction in Progress				
Infrastructure - Bridges	854,021	0	6,214,922	6,198,025
Totals	\$23,687,518	\$20,521,018	\$9,072,555	\$9,160,057

The increase in infrastructure was the result of its first-time inclusion as part of the financial records pursuant to GASB Statement No. 34. Capital assets for governmental activities also increased due to the completion of several building projects. See Note 9 of the notes to the basic financial statements for more detailed capital asset information.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Debt

At December 31, 2003, Shelby County had \$3,533,869 in debt outstanding.

**Table 4
Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
General Obligation Bonds	\$2,437,000	\$2,981,000	\$0	\$0
Loans Payable	39,864	43,394	1,962,652	2,167,697
Notes Payable	1,014,100	1,000,000	0	0
Capital Leases	42,905	60,305	14,811	16,392
Totals	\$3,533,869	\$4,084,699	\$1,977,463	\$2,184,089

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

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

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

The County's overall legal debt margin was \$22,190,961 as of December 31, 2003. The more restrictive unvoted legal debt margin was \$7,023,104 as of the same date. See Note 15 of the notes to the basic financial statements for more detailed information.

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

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

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**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	S and H Products
Assets				
Equity in Pooled Cash and Cash Equivalents	\$11,199,085	\$537,390	\$11,736,475	
Cash and Cash Equivalents in Segregated Accounts	7,272	6,091	13,363	\$103,017
Investments in Segregated Accounts				349,438
Accrued Interest Receivable	48,117		48,117	3,552
Permissive Sales Tax Receivable	1,158,304		1,158,304	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	523,506	119,980	643,486	52,583
Inventory of Supplies and Materials	188,506	7,188	195,694	
Due from Other Governments	4,326,222	383,724	4,709,946	
Property and Other Taxes Receivable	8,014,743		8,014,743	
Prepaid Items	227,344	2,642	229,986	
Internal Balances	(2,454)	2,454		
Notes Receivable	1,142,628		1,142,628	775
Special Assessments Receivable	326,567	1,080,518	1,407,085	
Loans Receivable	22,500		22,500	
Depreciable Capital Assets, Net	23,165,748	8,613,809	31,779,557	169,747
Land	521,770	458,746	980,516	
Total Assets	50,869,858	11,212,542	62,082,400	679,112
Liabilities				
Accounts Payable	616,028	203,954	819,982	7,721
Contracts Payable	396		396	
Retainage Payable	206,863		206,863	
Accrued Wages Payable	688,549	259,858	948,407	15,310
Due to Other Governments	385,056	106,242	491,298	1,927
Accrued Interest Payable	21,258		21,258	
Matured Compensated Absences Payable	8,643		8,643	
Loans Payable	150,000		150,000	
Deferred Revenue	7,569,479		7,569,479	
Long Term Liabilities:				
Due Within One Year	1,613,432	117,971	1,731,403	
Due in More Than One Year	3,174,210	2,120,188	5,294,398	
Total Liabilities	14,433,914	2,808,213	17,242,127	24,958
Net Assets				
Invested in Capital Assets, Net of Related Debt	20,057,613	7,095,092	27,152,705	169,747
Restricted for:				
Other Purposes	11,615,291		11,615,291	
Debt Service	177,413		177,413	
Capital Outlay	1,750,583		1,750,583	
Unrestricted	2,835,044	1,309,237	4,144,281	484,407
Total Net Assets	\$36,435,944	\$8,404,329	\$44,840,273	\$654,154

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions And Interest</u>	<u>Capital Grants And Contributions</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,261,812	\$2,122,503	\$63,152	
Judicial	2,223,871	387,479	348,952	
Public Safety	4,585,685	708,637	259,741	
Public Works	5,758,427	319,312	4,057,370	
Health	362,100	262,048	95,643	
Human Services	13,933,464	1,057,570	7,640,347	\$201
Economic Development and Assistance	294,116		460,646	
Other	16,340			
Intergovernmental	483,580	26,756		
Interest and Fiscal Charges	118,210			
Total Governmental Activities	<u>32,037,605</u>	<u>4,884,305</u>	<u>12,925,851</u>	<u>201</u>
Business-type activities:				
Fair Haven	6,002,835	6,271,348		
Sewer	1,035,042	521,965		
Recycling	237,301	227,764		
Total business-type activities	<u>7,275,178</u>	<u>7,021,077</u>		
Total primary government	<u>39,312,783</u>	<u>11,905,382</u>	<u>12,925,851</u>	<u>201</u>
Component Unit				
S and H Products	<u>\$766,028</u>	<u>\$194,346</u>	<u>\$181,478</u>	<u>\$0</u>

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

Change in Net Assets

Net Assets Beginning of Year - Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	S and H Products
(\$2,076,157)		(\$2,076,157)	
(1,487,440)		(1,487,440)	
(3,617,307)		(3,617,307)	
(1,381,745)		(1,381,745)	
(4,409)		(4,409)	
(5,235,346)		(5,235,346)	
166,530		166,530	
(16,340)		(16,340)	
(456,824)		(456,824)	
(118,210)		(118,210)	
<u>(14,227,248)</u>		<u>(14,227,248)</u>	
	\$268,513	268,513	
	(513,077)	(513,077)	
	(9,537)	(9,537)	
	<u>(254,101)</u>	<u>(254,101)</u>	
<u>(14,227,248)</u>	<u>(254,101)</u>	<u>(14,481,349)</u>	
			<u>(\$390,204)</u>
2,162,492		2,162,492	
4,749,546		4,749,546	
699,478		699,478	
129,775			
3,752,744			
20,428			
2,499,471			
1,230,488			
1,810,102		1,810,102	313,326
294,088	36	294,124	16,443
(100,022)			
159,727	7,792	167,519	15,628
(564,783)	564,783		
<u>16,843,534</u>	<u>572,611</u>	<u>9,883,261</u>	<u>345,397</u>
2,616,286	318,510	2,934,796	(44,807)
<u>33,819,658</u>	<u>8,085,819</u>	<u>41,905,477</u>	<u>698,961</u>
<u>\$36,435,944</u>	<u>\$8,404,329</u>	<u>\$44,840,273</u>	<u>\$654,154</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,469,096	\$395,422	\$4,505,897	\$394,185
Cash and Cash Equivalents in Segregated Accounts	1,858			
Receivables:				
Property and Other Taxes	2,255,445		8,804	5,103,098
Permissive Sales Tax	579,194		386,045	
Accounts (Net, where applicable, of Uncollectible Accounts)	451,336	1,187	1,316	1,617
Interfund	70,770	3,348	1,575	126,500
Special Assessments				
Accrued Interest	48,117			
Due from Other Governments	1,022,087	192,568	2,370,824	491,347
Prepaid Items	198,765	5,936	310	16,992
Inventory of Supplies and Materials	73,339	3,924	107,853	1,104
Notes Receivable				
Loans Receivable	22,500			
Total Assets	<u>6,192,507</u>	<u>602,385</u>	<u>7,382,624</u>	<u>6,134,843</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	128,175	78,673	44,803	279,085
Contracts Payable			82,791	
Retainage Payable				
Accrued Wages Payable	314,457	79,309	56,946	178,717
Due to Other Governments	163,298	76,441	27,448	84,315
Interfund Payable	56,137	7,746		155
Accrued Interest Payable				1,672
Matured Compensated Absences Payable	8,643			
Loans Payable				150,000
Deferred Revenue	3,199,666	135,760	1,922,760	5,509,287
Total Liabilities	<u>3,870,376</u>	<u>377,929</u>	<u>2,134,748</u>	<u>6,203,231</u>
Fund Balances				
Reserved for Encumbrances	75,224	168,041	981,558	26,550
Reserved for Advances	22,166			64,800
Reserved for Loans Receivable	22,500			
Reserved for Notes Receivable				
Reserved for Unclaimed Monies	14,345			
Unreserved:				
Undesignated, Reported in:				
General Fund	2,187,896			
Special Revenue Funds (Deficit)		56,415	4,266,318	(159,738)
Debt Service Funds				
Capital Projects Funds				
Total Fund Balances	<u>2,322,131</u>	<u>224,456</u>	<u>5,247,876</u>	<u>(68,388)</u>
Total Liabilities and Fund Balances	<u>\$6,192,507</u>	<u>\$602,385</u>	<u>\$7,382,624</u>	<u>\$6,134,843</u>

See accompanying notes to the basic financial statements.

Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
\$14,865	\$4,419,621 5,414	\$11,199,086 7,272
647,396	193,065	8,014,743 1,158,304
	68,050	523,506
	69,451	271,644
48,503	278,064	326,567
		48,117
	249,396	4,326,222
	5,341	227,344
	2,286	188,506
	1,142,628	1,142,628
		22,500
<u>710,764</u>	<u>6,433,316</u>	<u>27,456,439</u>
	85,292	616,028
	124,072	206,863
	396	396
	59,120	688,549
	33,554	385,056
	210,060	274,098
		1,672
		8,643
		150,000
<u>695,899</u>	<u>483,738</u>	<u>11,947,110</u>
<u>695,899</u>	<u>996,232</u>	<u>14,278,415</u>
	239,048	1,490,421
	50,500	137,466
		22,500
	988,886	988,886
		14,345
		2,187,896
	2,597,888	6,760,883
14,865		14,865
	1,560,762	1,560,762
<u>14,865</u>	<u>5,437,084</u>	<u>13,178,024</u>
<u>\$710,764</u>	<u>\$6,433,316</u>	<u>\$27,456,439</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2003**

Total Governmental Fund Balances		\$13,178,024
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		23,687,518
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	\$494,603	
Intergovernmental	3,143,256	
Fines and Forfeitures	395,322	
Special Assessments	324,521	
Interest	<u>19,929</u>	
 Total		 4,377,631
Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest	(19,587)	
General Obligation Bonds	(2,437,000)	
General Obligation Long-Term Note	(1,000,000)	
Special Assessment Long-Term Note	(14,100)	
OWDA Loan	(39,864)	
Capital Leases	(42,905)	
Compensated Absences	<u>(1,253,773)</u>	
 Total		 <u>(4,807,229)</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$36,435,944</u></u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
Revenues				
Property and Other Taxes	\$2,121,276		\$129,775	\$4,691,098
Permissive Sales Tax	3,752,744		2,499,471	
Intergovernmental	2,053,342	\$4,646,025	3,648,210	1,847,106
Charges for Services	2,719,952		177,091	23,369
Licenses and Permits	4,785			
Fines and Forfeitures	242,955			
Special Assessments				
Interest	294,511		39,779	
Decrease in Fair Value of Investments	(100,022)			
Contributions and Donations				
Other	159,728	40,123	30,526	65,192
Total Revenues	<u>11,249,271</u>	<u>4,686,148</u>	<u>6,524,852</u>	<u>6,626,765</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,426,700			
Judicial	1,989,120			
Public Safety	3,908,488			
Public Works	954,280		5,560,197	
Health	96,192			
Human Services	962,627	4,179,326		6,340,962
Economic Development and Assistance				
Intergovernmental	483,580			
Capital Outlay				
Debt Service:				
Principal Retirement	8,081	9,319		
Interest and Fiscal Charges	993	2,232		1,672
Total Expenditures	<u>11,830,061</u>	<u>4,190,877</u>	<u>5,560,197</u>	<u>6,342,634</u>
Excess of Revenues Over (Under) Expenditures	<u>(580,790)</u>	<u>495,271</u>	<u>964,655</u>	<u>284,131</u>
Other Financing Sources (Uses)				
General Obligation Note Issued				
Special Assessment Note Issued				
Transfers - In	350,348	130,231		
Transfers - Out	(625,657)			(301,635)
Total Other Financing Sources (Uses)	<u>(275,309)</u>	<u>130,231</u>		<u>(301,635)</u>
Net Change in Fund Balances	(856,099)	625,502	964,655	(17,504)
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	<u>3,178,230</u>	<u>(401,046)</u>	<u>4,283,221</u>	<u>(50,884)</u>
Fund Balances End of Year	<u>\$2,322,131</u>	<u>\$224,456</u>	<u>\$5,247,876</u>	<u>(\$68,388)</u>

See accompanying notes to the basic financial statements.

Bond Retirement Debt Service	Other Governmental Funds	Total Governmental Funds
\$639,693		\$7,581,842
20,428	\$1,230,488	7,503,131
	3,044,308	15,238,991
	1,171,627	4,092,039
	107,708	112,493
	62,564	305,519
5,280	268,900	274,180
	454	334,744
		(100,022)
	44,266	44,266
	218,449	514,018
<u>665,401</u>	<u>6,148,764</u>	<u>35,901,201</u>
	719,751	4,146,451
	242,613	2,231,733
	525,886	4,434,374
	261,859	6,776,336
	219,222	315,414
	2,291,831	13,774,746
	290,321	290,321
	16,340	499,920
	3,264,967	3,264,967
1,547,530		1,564,930
119,294		124,191
<u>1,666,824</u>	<u>7,832,790</u>	<u>37,423,383</u>
<u>(1,001,423)</u>	<u>(1,684,026)</u>	<u>(1,522,182)</u>
1,000,000		1,000,000
	14,100	14,100
	638,261	1,118,840
	(562,831)	(1,490,123)
<u>1,000,000</u>	<u>89,530</u>	<u>642,817</u>
(1,423)	(1,594,496)	(879,365)
<u>16,288</u>	<u>7,031,580</u>	<u>14,057,389</u>
<u>\$14,865</u>	<u>\$5,437,084</u>	<u>\$13,178,024</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Net Change in Fund Balances - Total Governmental Funds (\$879,365)

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

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

Capital Outlay	\$4,199,638	
Depreciation	(1,031,902)	
		3,167,736

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

Loss on Assets Sold		(1,236)
---------------------	--	---------

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

General Obligation Bond Principal Payments	544,000	
General Obligation Long-Term Note Principal Payments	1,000,000	
OWDA Loan Principal Payments	3,530	
Capital Lease Principal Payments	17,400	
		1,564,930

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

Property and Other Taxes	159,449	
Intergovernmental	(628,801)	
Fines and Forfeitures	46,849	
Special Assessments	(259,600)	
Interest	(423)	
		(682,526)

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability.

General Obligation Long-Term Note	(1,000,000)	
Special Assessment Long-Term Note	(14,100)	
		(1,014,100)

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

Decrease in Accrued Interest	5,981	
Decrease in Compensated Absences	4,415	
Decrease in Due to Other Governments	450,451	
		460,847

Change in Net Assets of Governmental Activities \$2,616,286

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$2,023,430	\$2,064,430	\$2,115,909	\$51,479
Permissive Sales Tax	3,500,000	3,500,000	3,693,692	193,692
Intergovernmental	2,111,235	2,111,235	2,005,381	(105,854)
Charges for Services	2,636,850	2,636,850	2,660,860	24,010
Licenses and Permits	3,510	3,510	4,785	1,275
Fines and Forfeitures	215,100	215,100	241,230	26,130
Interest	505,000	505,000	305,048	(199,952)
Other	380,215	470,715	181,933	(288,782)
Total Revenues	<u>11,375,340</u>	<u>11,506,840</u>	<u>11,208,838</u>	<u>(298,002)</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,649,794	3,882,675	3,543,175	339,500
Judicial	1,969,776	2,043,560	2,005,937	37,623
Public Safety	4,060,818	4,115,921	3,980,836	135,085
Public Works	1,431,432	1,075,330	989,602	85,728
Health	100,116	100,116	96,089	4,027
Human Services	909,510	988,005	869,040	118,965
Intergovernmental	551,245	535,654	483,580	52,074
Total Expenditures	<u>12,672,691</u>	<u>12,741,261</u>	<u>11,968,259</u>	<u>773,002</u>
Excess of Revenues Under Expenditures	<u>(1,297,351)</u>	<u>(1,234,421)</u>	<u>(759,421)</u>	<u>475,000</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	20,000	20,000		(20,000)
Advances In	50,000	50,000	189,211	139,211
Advances Out		(10,000)	(10,000)	
Transfers - In		26,913	350,348	323,435
Transfers - Out	(479,688)	(705,844)	(625,657)	80,187
Total Other Financing Sources (Uses)	<u>(409,688)</u>	<u>(618,931)</u>	<u>(96,098)</u>	<u>522,833</u>
Net Change in Fund Balance	<u>(1,707,039)</u>	<u>(1,853,352)</u>	<u>(855,519)</u>	<u>997,833</u>
Fund Balance Beginning of Year	<u>1,830,325</u>	<u>1,830,325</u>	<u>1,830,325</u>	
Prior Year Encumbrances Appropriated	<u>147,497</u>	<u>147,497</u>	<u>147,497</u>	
Fund Balance End of Year	<u>\$270,783</u>	<u>\$124,470</u>	<u>\$1,122,303</u>	<u>\$997,833</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PUBLIC ASSISTANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$4,800,825	\$4,777,661	\$4,257,191	(\$520,470)
Other	139,000	156,933	119,335	(\$37,598)
Total Revenues	4,939,825	4,934,594	4,376,526	(558,068)
Expenditures				
Current:				
Human Services	4,681,500	4,958,811	4,610,667	348,144
Excess of Revenues Over (Under) Expenditures	258,325	(24,217)	(234,141)	(209,924)
Other Financing Sources				
Transfers - In	125,000	130,231	130,231	
Net Change in Fund Balance	383,325	106,014	(103,910)	(209,924)
Fund Balance (Deficit) at Beginning of Year	(381,419)	(381,419)	(381,419)	
Prior Year Encumbrances Appropriated	395,433	395,433	395,433	
Fund Balance (Deficit) at End of Year	<u>\$397,339</u>	<u>\$120,028</u>	<u>(\$89,896)</u>	<u>(\$209,924)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
AUTO LICENSE AND GAS FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$120,000	\$120,000	\$129,168	\$9,168
Permissive Sales Tax	2,100,000	2,100,000	2,460,016	360,016
Intergovernmental	3,362,200	3,362,200	3,590,700	228,500
Charges for Services	122,000	122,000	184,317	62,317
Interest	35,000	35,000	40,445	5,445
Other	16,800	16,800	34,547	17,747
Total Revenues	5,756,000	5,756,000	6,439,193	683,193
Expenditures				
Current:				
Public Works	9,105,739	9,285,325	6,623,708	2,661,617
Net Change in Fund Balance	(3,349,739)	(3,529,325)	(184,515)	3,344,810
<i>Fund Balance at Beginning of Year</i>	3,349,739	3,349,739	3,349,739	
Prior Year Encumbrances Appropriated	224,986	224,986	224,986	
Fund Balance at End of Year	<u>\$224,986</u>	<u>\$45,400</u>	<u>\$3,390,210</u>	<u>\$3,344,810</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
MRDD FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$5,308,901	\$5,308,901	\$4,676,953	(\$631,948)
Intergovernmental	1,700,038	1,700,038	1,846,489	146,451
Charges for Services	21,000	21,000	23,443	2,443
Other	127,014	127,014	63,869	(63,145)
Total Revenues	<u>7,156,953</u>	<u>7,156,953</u>	<u>6,610,754</u>	<u>(546,199)</u>
Expenditures				
Current:				
Human Services	6,391,595	6,596,245	6,256,806	339,439
Debt Service:				
Principal Retirement		50,000	50,000	
Interest and Fiscal Charges		94,311		94,311
Total Expenditures	<u>6,391,595</u>	<u>6,740,556</u>	<u>6,306,806</u>	<u>433,750</u>
Excess of Revenues Over Expenditures	<u>765,358</u>	<u>416,397</u>	<u>303,948</u>	<u>(112,449)</u>
Other Financing Sources (Uses)				
Proceeds of Loans		200,000	200,000	
Advances In	47,500	97,500		(97,500)
Advances Out		(481,556)	(473,000)	8,556
Transfers - In	2,687	2,687		(2,687)
Transfers - Out	(1,131)	(302,766)	(301,635)	1,131
Total Other Financing Sources (Uses)	<u>49,056</u>	<u>(484,135)</u>	<u>(574,635)</u>	<u>(90,500)</u>
Net Change in Fund Balance	814,414	(67,738)	(270,687)	(202,949)
Fund Balance at Beginning of Year	297,236	297,236	297,236	
Prior Year Encumbrances Appropriated	<u>30,818</u>	<u>30,818</u>	<u>30,818</u>	
Fund Balance at End of Year	<u>\$1,142,468</u>	<u>\$260,316</u>	<u>\$57,367</u>	<u>(\$202,949)</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2003**

	Fair Haven	Sewer	Other Business-Type Activities	Total
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$347,108	\$62,879	\$127,403	\$537,390
Cash and Cash Equivalents in Segregated Accounts	6,091			6,091
Accounts Receivable	64,625	33,797	21,558	119,980
Inventory of Supplies and Materials	6,700		488	7,188
Due from Other Governments	383,724			383,724
Prepaid Items	1,309	1,333		2,642
Interfund Receivable			9,077	9,077
Special Assessments Receivable		165,531		165,531
Total Current Assets	809,557	263,540	158,526	1,231,623
Non-current Assets:				
Special Assessments Receivable - net of current portion		914,987		914,987
Non-Depreciable Capital Assets	17,031	390,177	51,538	458,746
Depreciable Capital Assets, Net	1,836,641	6,545,295	231,873	8,613,809
Total Noncurrent Assets	1,853,672	7,850,459	283,411	9,987,542
Total Assets	2,663,229	8,113,999	441,937	11,219,165
Liabilities				
Current Liabilities:				
Accounts Payable	184,135	16,237	3,582	203,954
Accrued Wages Payable	243,197	11,041	5,620	259,858
Due to Other Governments	95,431	5,454	5,357	106,242
Interfund Payable	160	6,463		6,623
Compensated Absences Payable	5,312	241	88	5,641
Capital Leases Payable	2,168			2,168
OPWC Loans Payable		1,875		1,875
OWDA Loans Payable		108,287		108,287
Total Current Liabilities	530,403	149,598	14,647	694,648
Long-Term Liabilities:				
Compensated Absences Payable - net of current portion	207,674	35,285	12,096	255,055
Capital Leases Payable - net of current portion	12,643			12,643
OPWC Loans Payable - net of current portion		52,500		52,500
OWDA Loans Payable - net of current portion		1,799,990		1,799,990
Total Long-Term Liabilities	220,317	1,887,775	12,096	2,120,188
Total Liabilities	750,720	2,037,373	26,743	2,814,836
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,838,861	4,972,820	283,411	7,095,092
Unrestricted	73,648	1,103,806	131,783	1,309,237
Total Net Assets	\$1,912,509	\$6,076,626	\$415,194	\$8,404,329

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Operating Revenues				
Charges for Services	\$6,271,292	\$521,965	\$83,563	\$6,876,820
Sales			144,257	144,257
Other	7,792			7,792
Total Operating Revenues	<u>6,279,084</u>	<u>521,965</u>	<u>227,820</u>	<u>7,028,869</u>
Operating Expenses				
Personal Services	4,476,703	286,388	154,750	4,917,841
Contractual Services	586,328	347,182	42,338	975,848
Materials and Supplies	721,736	41,794	5,363	768,893
Depreciation	73,383	204,807	30,017	308,207
Other	139,658	978		140,636
Total Operating Expenses	<u>5,997,808</u>	<u>881,149</u>	<u>232,468</u>	<u>7,111,425</u>
Operating Income (Loss)	<u>281,276</u>	<u>(359,184)</u>	<u>(4,648)</u>	<u>(82,556)</u>
Non-Operating Revenues (Expenses)				
Interest Revenue			36	36
Interest and Fiscal Charges	(5,027)	(153,893)	(4,833)	(163,753)
Total Non-Operating Revenues (Expenses)	<u>(5,027)</u>	<u>(153,893)</u>	<u>(4,797)</u>	<u>(163,717)</u>
Income Before Capital Contributions and Transfers	276,249	(513,077)	(9,445)	(246,273)
Capital Contributions		193,500		193,500
Transfers-In		371,283		371,283
<i>Change in Net Assets</i>	276,249	51,706	(9,445)	318,510
Net Assets Beginning of Year - Restated (See Note 3)	<u>1,636,260</u>	<u>6,024,920</u>	<u>424,639</u>	<u>8,085,819</u>
Net Assets End of Year	<u>\$1,912,509</u>	<u>\$6,076,626</u>	<u>\$415,194</u>	<u>\$8,404,329</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities				
Cash Received from Customers and Support	\$6,260,397	\$679,903	\$223,567	\$7,163,867
Cash Received from Other Operating Receipts	20,594			20,594
Cash Payments for Employee Services and Benefits	(4,513,876)	(285,596)	(151,818)	(4,951,290)
Cash Payments to Suppliers	(1,268,617)	(392,460)	(48,004)	(1,709,081)
Cash Payments for Other Operating Expenses	(155,402)	(978)		(156,380)
Net Cash Provided by Operating Activities	<u>343,096</u>	<u>869</u>	<u>23,745</u>	<u>367,710</u>
Cash Flows from Noncapital Financing Activities				
Transfers - In		371,283		371,283
Advances In			9,000	9,000
Advances Out	(126,200)		(9,000)	(135,200)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(126,200)</u>	<u>371,283</u>		<u>245,083</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets		(32,038)		(32,038)
Lease Principal Payments	(1,581)			(1,581)
Lease Interest Payments	(5,027)			(5,027)
Loan Principal Payments		(205,045)		(205,045)
Loan Interest Payments		(153,893)		(153,893)
Net Cash Used for Capital and Related Financing Activities	<u>(6,608)</u>	<u>(390,976)</u>		<u>(397,584)</u>
Cash Flows from Investing Activities				
Interest			36	36
Net Increase (Decrease) in Cash and Cash Equivalents	210,288	(18,824)	23,781	215,245
Cash and Cash Equivalents Beginning of Year	<u>142,911</u>	<u>81,703</u>	<u>103,622</u>	<u>328,236</u>
Cash and Cash Equivalents End of Year	<u>\$353,199</u>	<u>\$62,879</u>	<u>\$127,403</u>	<u>\$543,481</u>

(Continued)

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$281,276	(\$359,184)	(\$4,648)	(\$82,556)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	73,383	204,807	30,017	308,207
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	367,821	3,609	(4,197)	367,233
Decrease in Inventory of Supplies and Materials	2,342		468	2,810
Increase in Due from Other Governments	(383,724)			(383,724)
Decrease in Prepaid Items	107	327		434
(Increase) Decrease in Interfund Receivable	17,810		(56)	17,754
Decrease in Special Assessments Receivable		154,329		154,329
Increase (Decrease) in Accounts Payable	20,778	(3,949)	(771)	16,058
Increase in Accrued Wages	14,757	1,138	666	16,561
Increase (Decrease) in Due to Other Governments	(55,924)	(4,337)	208	(60,053)
Increase in Interfund Payable	43	127		170
Increase in Compensated Absences Payable	4,427	4,002	2,058	10,487
Net Cash Provided by Operating Activities	<u>\$343,096</u>	<u>\$869</u>	<u>\$23,745</u>	<u>\$367,710</u>

Non-Cash Transactions:

During 2003, the Sewer Fund had capital contributions for capital assets from governmental funds of \$193,500.

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$39,020	\$3,100,978
Cash and Cash Equivalents in Segregated Accounts		449,603
Investments in Segregated Accounts		68,096
Receivables:		
Property and Other Taxes		40,710,578
Accounts (Net, where applicable, of Uncollectible Accounts)		183,729
Special Assessments		730,150
Due from Other Governments		3,953,225
Total Assets	39,020	\$49,196,359
Liabilities		
Accounts Payable	5,469	
Due to Other Governments		46,038,660
Undistributed Monies		3,157,699
<i>Total Liabilities</i>	5,469	\$49,196,359
Net Assets		
Held in Trust for Pool Participants	\$33,551	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	\$25,910
Deductions:	
Distributions to Participants	<u>14,505</u>
Change in Net Assets	11,405
Net Assets Beginning of Year	<u>22,146</u>
Net Assets End of Year	<u><u>\$33,551</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

Shelby County, (The County) was created in 1819. The County is governed by a board of three Commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, and a joint Probate/Juvenile Court Judge.

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Shelby County, this includes the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, Fair Haven Home, the Shelby County Veterans Services, and all departments and activities that are directly operated by the elected County officials.

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

Discretely Presented Component Unit

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

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

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, a Related Organization, and Insurance Pools. The County's Joint Ventures, the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), are presented in Note 20 of the basic financial statements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

2. Proprietary Funds

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

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

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

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

The County also has one non-major enterprise fund:

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

E. Revenues - Exchange and Non-exchange Transaction

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, permissive sales tax, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

F. Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Expenses/Expenditures

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

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

H. Cash and Cash Equivalents

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

During 2003, 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 \$294,511 was credited to the General Fund during 2003, which includes \$221,902 assigned from other County funds.

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

I. Receivables and Payables

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Inventory of Supplies and Materials

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

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

Inventory consists of expendable supplies held for consumption.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

L. Interfund Receivables/Payables

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

M. Capital Assets

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

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County's infrastructure system consists of bridges. For 2003, the County reported infrastructure for the first time. The County only reports the amounts acquired after 2002. The County plans to phase in the prior year amounts in future years.

N. Compensated Absences

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

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

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Capital Contributions

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

Q. Net Assets

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

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

R. Operating Revenues and Expenses

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

S. Reserves of Fund Balance

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

T. Interfund Transactions

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

V. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2003.

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

A. Changes in Accounting Principles

For 2003, the County has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences, and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY
(Continued)**

GASB 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the County's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the County for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The County has also implemented a new capital asset policy which increases the capitalization threshold for capital assets from \$500 to \$10,000. The reason for the change was to reduce the cost of maintaining capital asset information by significantly reducing the number of items tracked. For general capital assets, the balance at December 31, 2002, changed prior to depreciation by (\$1,731,070), from \$31,461,621 to \$29,730,551. For the enterprise funds, the balance changed by (\$939,550), from \$10,099,607 to \$9,160,057.

The Landfill Fund was changed from an enterprise fund to a special revenue fund, which also had an effect on the restatement amount, including prior year errors in recording several capital assets.

The Unclaimed Monies Trust Fund is now included with the General Fund.

B. Restatement of Fund Balance

The implementation of these changes had the following effects on fund balance of the major and non-major funds of the County as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY
(Continued)**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
Fund Balances (Deficit), December 31, 2002	\$3,043,061	(\$420,637)	\$4,269,295	(\$123,720)
GASB Interpretation No. 6	43,297	19,591	13,926	16,271
Change in Fund Structure	32,267	0	0	0
Agency Fund Cash Allocation	59,605	0	0	56,565
Adjusted Fund Balance (Deficit), December 31, 2002	<u>\$3,178,230</u>	<u>(\$401,046)</u>	<u>\$4,283,221</u>	<u>(\$50,884)</u>

	<u>Bond Retirement Debt Service</u>	<u>Non-major</u>	<u>Total</u>
Fund Balances (Deficit), December 31, 2002	\$16,288	\$6,954,761	\$13,739,048
GASB Interpretation No. 6	0	7,365	100,450
Change in Fund Structure	0	69,454	101,721
Agency Fund Cash Allocation	0	0	116,170
Adjusted Fund Balance (Deficit), December 31, 2002	<u>\$16,288</u>	<u>\$7,031,580</u>	14,057,389

GASB 34 Adjustments:			
Capital Assets			20,521,018
Due to Other Governments			(450,451)
Accrued Interest Payable			(25,567)
Long-Term Liabilities			(5,342,888)
Long-Term (Deferred) Assets:			
Delinquent Property Taxes			335,154
Due from Other Governments/Accounts Receivable/Accrued Interest Receivable/ Interfund Receivable			4,140,882
Special Assessments Receivable			584,121
Governmental Activities Net Assets, December 31, 2002			<u>\$33,819,658</u>

Capital assets were also restated in the enterprise funds as of December 31, 2002. The Landfill Fund being changed from an enterprise fund to a special revenue fund had an effect on the restated amount.

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Landfill</u>	<u>Total Business- Type Activities</u>
Net Assets, December 31, 2002	\$1,733,277	\$6,081,824	\$837,124	\$442,598	\$9,094,823
Change in Fund Structure	0	0	0	(69,454)	(69,454)
Capital Assets	(97,017)	(56,904)	(412,485)	(373,144)	(939,550)
Adjusted Net Assets, December 31, 2002	<u>\$1,636,260</u>	<u>\$6,024,920</u>	<u>\$424,639</u>	<u>\$0</u>	<u>\$8,085,819</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual, presented for the General Fund, and the Public Assistance, Auto License and Gas, and MRDD 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Receipt and payment of year-end intrafund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

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

Net Change in Fund Balance

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>	<u>MRDD</u>
GAAP Basis	(\$856,099)	\$625,502	\$964,655	(\$17,504)
Adjustments:				
Revenue Accruals	(83,804)	(330,358)	(81,472)	76,374
Expenditure Accruals	(19,150)	(134,857)	43,888	263,269
Unrecorded Cash 2002	126,253	215,185	0	0
Unrecorded Cash 2003	(47,208)	(194,449)	0	0
Change in Fair Value of Investments 2002	106,353	0	3,791	0
Change in Fair Value of Investments 2003	(6,331)	0	(7,978)	0
Prepaid Items	38,510	5,936	310	16,992
Proceeds of Loans	0	0	0	200,000
Encumbrances	(157,558)	(290,869)	(1,107,709)	(244,433)
Agency Fund Cash Allocation	(135,696)	0	0	(92,385)
Advances	179,211	0	0	(473,000)
Budget Basis	<u>(\$855,519)</u>	<u>(\$103,910)</u>	<u>(\$184,515)</u>	<u>(\$270,687)</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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;
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. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

10. Bankers' acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

At year-end, the County had \$49,719 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents." The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

A. Deposits

At year-end, the carrying amount of the County's deposits was \$5,036,013 and the bank balance was \$5,963,780. Of the bank balance, \$582,226 was covered by federal deposit insurance and \$5,381,554 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, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires the County to categorize investments to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Primary Government			Carrying/Fair Value
	Category 1	Category 2	Category 3	
Repurchase Agreements	\$0	\$0	\$268,933	\$268,933
First American Treasury Obligations	0	94,826	0	94,826
U.S. Treasury Notes	500,000	983,719	0	1,483,719
Federal Home Loan Bank Bonds	500,000	3,343,537	0	3,843,537
Federal National Mortgage Association (FNMA) Bonds	0	1,806,350	0	1,806,350
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	0	2,504,422	0	2,504,422
Federal Farm Credit Bank Bonds	0	320,016	0	320,016
Total	\$1,000,000	\$9,052,870	\$268,933	\$10,321,783

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the County's cash management pool.

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

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$15,339,439	\$68,096
Cash on Hand	(49,719)	0
Investments:		
Certificate of Deposit	68,096	(68,096)
Repurchase Agreements	(268,933)	268,933
First American Treasury Obligations	(94,826)	94,826
U.S. Treasury Notes	(1,483,719)	1,483,719
Federal Home Loan Bank Bonds	(3,843,537)	3,843,537
Federal National Mortgage Association (FNMA) Bonds	(1,806,350)	1,806,350
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	(2,504,422)	2,504,422
Federal Farm Credit Bank Bonds	(320,016)	320,016
GASB Statement No. 3	\$5,036,013	\$10,321,803

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, 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 2003 operations. The receivable is therefore offset by deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2003, was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$575,035,010	55.05%
Other Real Property	155,168,130	14.86
Tangible Personal Property	270,891,276	25.93
Public Utility Personal Property	43,429,440	4.16
Total Assessed Value	<u>\$1,044,523,856</u>	<u>100.00%</u>

An increase of 3.2 mills is due to a new voted MRDD levy. This is partially for general obligation bonds issued for \$2,981,000 in 2002. The levy's purpose was to provide funds for the acquisition, construction, renovation, financing, maintenance and operation of all MRDD programs, services, and facilities including residential services. Most of the monies are being receipted into the MRDD fund, while only those monies necessary for debt service are being receipted into the General Obligation Debt Service Fund. The levy was passed on May 7, 2002, with collections starting in late 2003.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

7. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund, the Auto License and Gas Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2003. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2003 amounted to \$3,752,744 in the General Fund, \$2,499,471 in the Auto License and Gas Fund, \$20,428 in the Bond Retirement Debt Service Fund, and \$1,230,488 in the Permanent Improvement Capital Projects Fund, for a total of \$7,503,131.

8. RECEIVABLES

Receivables at December 31, 2003, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, accrued interest, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, notes, and loans. The special assessments receivable in the enterprise funds represent assessments to property owners for the new sewer system that have been assessed to property owners on the tax duplicate. Special assessments expected to be collected in more than one year for the County amount to \$914,987 for the Sewer Fund and \$77,000 for governmental funds. The County has \$53,595 delinquent special assessments at December 31, 2003.

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

	<u>Juvenile Court Fines</u>	<u>Clerk of Courts/ Probate Court Fines</u>	<u>Sheriff's Department Court Costs and Fines</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Receivable	\$529,244	\$3,580,150	\$85,297	\$173,587	\$4,368,278
Allowance for Uncollectibles	(344,009)	(3,186,334)	(10,720)	0	(3,541,063)
Net Accounts Receivable	<u>\$185,235</u>	<u>\$393,816</u>	<u>\$74,577</u>	<u>\$173,587</u>	<u>\$872,215</u>

A summary of intergovernmental receivables follows:

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

8. RECEIVABLES (Continued)

Governmental Activities

Election Cost Reimbursement	\$33,850
Excess Law Library	55,893
Delinquent Advertising Costs	4,306
Local Government	676,367
Local Government Revenue Assistance	114,194
Congregate Site and Home Delivered	7,666
Miscellaneous Reimbursements	3,046
Public Defender Reimbursement	17,903
Personal Property Exemption	65,296
Homestead and Rollback	339,019
Motor Vehicle License Tax	1,447,789
Gasoline Tax	827,848
Excess IRP	88,308
CAFS	60,048
Childrens' Services	35,320
ACH	51,613
Miscellaneous Receivables	15,289
ODE Title VI-B	63,128
ODE Handicap Pre-School	44,708
ODE Title V	816
Title XX	33,970
CHIP-CDBG	1,150
CHIP-HOME	31,170
Victims of Crime Assistance Grant	17,174
Cops in Schools Award	41,056
Care and Custody Grant	33,902
Community Corrections Act	25,192
SVAA Grant	34,015
Recycle Ohio Grant	1,555
Ohio Children's Trust	8,633
Job and Family Services Underfunded	135,760
Children's Services Underfunded	10,238
Total Governmental Activities	4,326,222

Enterprise Funds

Medicare Reimbursement	383,724
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Agency Funds

Library and Local Government	\$1,095,324
Local Government	1,409,099
Local Government Revenue Assistance	237,903
Homestead and Rollback	70,689
Excess IRP	10,485
Motor Vehicle License Tax	324,163
Gasoline Tax	441,921
Immunization Action Plan Grant	3,214
Well Child Direct Care Services	18,085
Public Health Infrastructure	65,566
Help Me Grow Grant	53,165
Emergency Grant	223,611
Total Agency Funds	3,953,225
Total All Funds	\$8,663,171

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

8. 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, 2003, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$1,142,628. The County has an outstanding loan receivable from the Fair Board in the amount of \$22,500. The loan is an interest free loan that was issued in 1997. These amounts include \$988,886 and \$22,500 which are expected to be collected in more than one year.

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Restated Balance at 12/31/2002	Additions	Deletions	Balance at 12/31/2003
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$521,770	\$0	\$0	\$521,770
Construction in Progress	754,686	910,000	(1,664,686)	0
Total Capital Assets Not Being Depreciated	<u>1,276,456</u>	<u>910,000</u>	<u>(1,664,686)</u>	<u>521,770</u>
Depreciable Capital Assets:				
Buildings	23,010,570	3,504,941	0	26,515,511
Equipment	1,334,774	107,067	(14,887)	1,426,954
Furniture and Fixtures	151,474	37,514	(11,573)	177,415
Vehicles	3,957,277	441,737	(105,898)	4,293,116
Infrastructure - Bridges	0	863,065	0	863,065
Total Depreciable Capital Assets	<u>28,454,095</u>	<u>4,954,324</u>	<u>(132,358)</u>	<u>33,276,061</u>
Less Accumulated Depreciation:				
Buildings	(5,851,378)	(610,956)	0	(6,462,334)
Equipment	(640,164)	(86,506)	14,887	(711,783)
Furniture and Fixtures	(89,202)	(12,613)	11,573	(90,242)
Vehicles	(2,628,789)	(312,783)	104,662	(2,836,910)
Infrastructure - Bridges	0	(9,044)	0	(9,044)
Total Accumulated Depreciation	<u>(9,209,533)</u>	<u>(1,031,902)</u>	<u>131,122</u>	<u>(10,110,313)</u>
Depreciable Capital Assets, Net	<u>19,244,562</u>	<u>3,922,422</u>	<u>(1,236)</u>	<u>23,165,748</u>
Governmental Activities Capital Assets, Net	<u>\$20,521,018</u>	<u>\$4,832,422</u>	<u>(\$1,665,922)</u>	<u>\$23,687,518</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

9. CAPITAL ASSETS (Continued)

	Restated Balance At 12/31/2002	Additions	Deletions	Balance At 12/31/2003
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$458,746	\$0	\$0	\$458,746
Depreciable Capital Assets:				
Buildings	2,990,966	0	0	2,990,966
Equipment	191,831	14,887	0	206,718
Furniture and Fixtures	18,000	0	0	18,000
Vehicles	481,865	32,038	(15,000)	498,903
Infrastructure	7,759,225	193,500	0	7,952,725
Total Depreciable Capital Assets	<u>11,441,887</u>	<u>240,425</u>	<u>(15,000)</u>	<u>11,667,312</u>
Total Capital Assets At Historical Cost	<u>11,900,633</u>	<u>240,425</u>	<u>(15,000)</u>	<u>12,126,058</u>
Less Accumulated Depreciation:				
Buildings	(756,157)	(78,397)	0	(834,554)
Machinery and Equipment	(141,388)	(18,040)	0	(159,428)
Furniture and Fixtures	(4,688)	(2,250)	0	(6,938)
Vehicles	(277,143)	(47,804)	10,167	(314,780)
Infrastructure	(1,561,200)	(176,603)	0	(1,737,803)
Total Accumulated Depreciation	<u>(2,740,576)</u>	<u>(323,094)</u>	<u>10,167</u>	<u>(3,053,503)</u>
Depreciable Capital Assets, Net	<u>8,701,311</u>	<u>(82,669)</u>	<u>(4,833)</u>	<u>8,613,809</u>
Business-Type Activities Capital Assets, Net	<u>\$9,160,057</u>	<u>(\$82,669)</u>	<u>(\$4,833)</u>	<u>\$9,072,555</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$48,835
General Government - Judicial	76,332
Public Safety	385,472
Public Works	241,567
Health	45,815
Human Services	230,086
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$1,031,902</u>

10. RISK MANAGEMENT

A. Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

10. RISK MANAGEMENT (Continued)

Coverages provided by the insurance pool are as follows:

Liability	
(A) General, Auto, Law, and Nursing Home	
Liability Combined (per occurrence)	\$1,000,000
(B) Public Official Errors and Omissions	
Liability (per occurrence – included above)	1,000,000
Aggregate	5,000,000
Property	35,000,000
Flood and Earthquake	1,000,000
Boiler and Machinery	30,000,000
Crime Insurance:	
Faithful Performance	250,000
Money and Securities	250,000

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

B. Health Care Benefits

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

C. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2003, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 23). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

10. RISK MANAGEMENT (Continued)

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

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

11. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$1,274,559, \$1,471,114, \$1,707,554, respectively; 89.84 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$6,681 made by the County and \$4,192 made by the plan members.

B. State Teachers Retirement System of Ohio

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

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

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

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

For the year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

The County's required contributions for pension obligations to the DB Plan for the years ended June 30, 2003, 2002, and 2001 were \$117,363, \$77,121, and \$65,331 respectively; 94.6 percent has been contributed for fiscal year 2003 and 100 percent for 2002 and 2001. Contributions to the DC and Combined Plans for 2003 were \$2,317 made by the plan members and \$0 by the County.

12. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund post-employment benefits were \$720,943. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

12. POST-EMPLOYMENT BENEFITS

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.

B. State Teachers Retirement System of Ohio

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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, 2003, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$9,028 for 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

13. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Compensated Absences

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

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less or more than the required amount for the pay period shall receive a pro-rated share of sick leave. Any County employee who has less than 20 years of service as an employee of any office, department, commission, or board of Shelby County, that receives at least one-half of its funding from the General Fund, will be paid for 25 percent of the value of his accrued but unused sick leave up to a maximum of 240 hours.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

13. OTHER EMPLOYEE BENEFITS (Continued)

Any employee with 21 or more years of service will be paid out 35 percent of the value of the accrued but unused sick leave up to a maximum of 600 hours. Such payment is based upon the employee's rate of pay at the time of his retirement and is paid to the employee in one lump sum payment upon retirement.

14. LEASES

A. Operating Leases

The County leases copiers and equipment for the Juvenile Court, Clerk of Courts, Probate Court, and Board of Elections under noncancelable-operating leases. Total costs were \$6,356 for the year ended December 31, 2003. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	
2004	\$6,365
2005	6,366
2006	2,518
2007	944
Total	<u>\$16,193</u>

B. Capital Leases

During 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.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2003 totaled \$17,400.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$75,786, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at December 31, 2003, was \$23,183 and the carrying value was \$52,603. For business-type activities, capital assets have been capitalized in the amount of \$16,390. Accumulated depreciation on these assets at December 31, 2003, was \$2,220 and the carrying value was \$14,170.

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 June 30, 2003.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

14. LEASES (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities Amounts</u>	<u>Business-Type Activities Amounts</u>
2004	\$20,624	\$6,608
2005	20,244	6,608
2006	5,466	6,608
2007	0	6,608
Total	46,334	26,432
Less: Amount Representing Interest	(3,429)	(11,621)
Present Value of Net Minimum Lease Payments	<u>\$42,905</u>	<u>\$14,811</u>

15. LONG-TERM DEBT OBLIGATIONS

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

	<u>Balance at 12/31/02</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/03</u>	<u>Due Within One Year</u>
Note Payable:					
2002 Job and Family Services Building General Obligation Note – 3.83%	\$1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2003 Elliot Ditch Special Assessment Bond Anticipation Note	0	14,100	0	14,100	2,820
Total Notes Payable	<u>1,000,000</u>	<u>1,014,100</u>	<u>1,000,000</u>	<u>1,014,100</u>	<u>1,002,820</u>
OWDA Loan Payable:					
7.62% - 1992 Meadowlane	43,394	0	3,530	39,864	1,900
General Obligation Bonds Payable:					
2002 MRDD Series A Bonds – 3.34%	1,100,000	0	205,000	895,000	210,000
2002 MRDD Series B Bonds – 3.34%	1,881,000	0	339,000	1,542,000	356,000
Total Bonds Payable	<u>2,981,000</u>	<u>0</u>	<u>544,000</u>	<u>2,437,000</u>	<u>566,000</u>
Other Long-Term Obligations:					
Compensated Absences Payable	\$1,258,189	\$594,777	\$599,193	\$1,253,773	24,281
Obligations Under Capital Lease	60,305	0	17,400	42,905	18,431
Total Other Long-Term Obligations	<u>1,318,494</u>	<u>594,777</u>	<u>616,593</u>	<u>1,296,678</u>	<u>42,712</u>
Total General Long-Term Obligations	<u>\$5,342,888</u>	<u>\$1,608,877</u>	<u>\$2,164,123</u>	<u>\$4,787,642</u>	<u>\$1,613,432</u>

The Job and Family Services Building General Obligation Note was issued on February 28, 2002, in the amount of \$1,000,000 for the purpose of paying the cost of constructing a building to house the Department of Job and Family Services and was rolled over on February 28, 2003. The note was issued at 1.48 percent interest rate and will reach maturity on February 26, 2004. The note will be paid from the Bond Retirement Debt Service Fund.

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS (Continued)

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

The MRDD Series A Bonds were issued on December 1, 2002, in the amount of \$1,100,000 for the purpose of constructing an addition to, and improving, furnishing, equipping, and landscaping the County owned Shelby Hill Early Childhood Center, and improving the County owned Early Intervention Center. The bonds are general obligation serial bonds maturing on December 1, 2007 and will be paid from the 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 and H Products, Plant 2. The bonds are general obligation serial bonds and will be paid from the Bond Retirement Debt Service Fund.

Compensated absences will be paid from the General Fund and the Public Assistance, Auto License and Gas Tax, and MRDD Special Revenue Funds, as well as the Dog and Kennel, Other Public Works, Other Legislative and Executive, Other Judicial, Other Public Safety, and Other Human Services Special Revenue Funds. 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 2003 were as follows:

	Balance at 12/31/02	Increases	Decreases	Balance at 12/31/03	Due Within One Year
Loans Payable:					
1998 OPWC Loan – 0.00%	\$58,125	0	3,750	54,375	1,875
1991 OWDA Loan – 7.59%	2,109,572	0	201,295	1,908,277	108,287
Total Loans	<u>2,167,697</u>	<u>\$</u>	<u>\$205,045</u>	<u>\$1,962,652</u>	<u>\$110,162</u>
Other Long-Term Obligations:					
Compensated Absences Payable	250,209	10,487	0	260,696	5,641
Obligations Under Capital Lease	16,392	0	1,581	14,811	2,168
Total Other Long-Term Obligations	<u>266,601</u>	<u>10,487</u>	<u>1,581</u>	<u>275,507</u>	<u>7,809</u>
Total General Long-Term Obligations	<u>\$2,434,298</u>	<u>\$10,487</u>	<u>\$206,626</u>	<u>\$2,238,159</u>	<u>\$117,971</u>

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2003, are an overall debt margin of \$22,190,961 and an unvoted debt margin of \$7,023,104. The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS (Continued)

Governmental Activities							
Year	General Obligation Bond Anticipation Note	Elliot Ditch Special Assessment Note		General Obligation OWDA Loan		General Obligation Bonds	
	Principal	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$1,000,000	\$2,820	\$92	\$1,900	\$1,519	\$566,000	\$81,396
2005	0	2,820	183	3,944	2,893	595,000	62,491
2006	0	2,820	275	4,245	2,592	625,000	42,618
2007	0	2,820	367	4,568	2,269	651,000	21,743
2008	0	2,820	458	4,016	1,921	0	0
2009-2012	0	0	0	21,191	3,638	0	0
Totals	\$1,000,000	\$14,100	\$1,375	\$39,864	\$14,832	\$2,437,000	\$208,248

Business-Type Activities				
Year	OWDA Loan		OPWC Loan	
	Principal	Interest	Principal	Interest
2004	\$108,287	\$66,790	\$1,875	\$0
2005	224,793	126,000	3,750	0
2006	241,855	110,264	3,750	0
2007	260,210	93,334	3,750	0
2008	279,960	75,119	3,750	0
2009-2013	793,172	101,783	18,750	0
2014-2018	0	0	18,750	0
Totals	\$1,908,277	\$573,290	\$54,375	\$0

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,405,000 outstanding at December 31, 2003, 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 \$40,745,000 outstanding at December 31, 2003. During 2002, health care facilities revenue bonds were issued with the principal amount of \$15,735,000 outstanding at December 31, 2002. During 2003, health care facilities revenue bonds were issued with the principal amount of \$46,390,000 outstanding at December 31, 2003. All of these bond issues were for facilities used by the Dorothy Love Retirement Community. The County is not obligated in any way to pay debt charges on the bond from any of its funds, and therefore it has been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

The County issued hospital revenue bonds in 1992, 1996, and 1997 with the principal amount of \$8,805,000, \$3,218,635, and \$1,681,849 outstanding, respectively, at December 31, 2003. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

16. SHORT TERM OBLIGATION

On October 9, 2003, the County received a \$200,000 loan from S and H Products for the renovation of the S and H Products Plant as a permanent location for the Services and Supports Department. The interest rate on the loan is 4 percent. The first principal payment of \$50,000 was made during 2003 and the remainder of the loan will be paid quarterly in amounts of \$50,000. The loan will mature on September 30, 2004. The loan is a liability of the MRDD Fund since this is the fund that received the proceeds. It will also be repaid from the MRDD fund. The balance at December 31, 2003 was \$150,000.

17. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2003, consist of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting, and (3) payments between funds are made. All are expected to be paid within one year.

	<u>Interfund Receivable</u>					<u>Total</u>
	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Auto License and Gas Fund</u>	<u>MRDD Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Interfund Payable</u>						
General Fund	\$0	\$0	\$616	\$0	\$55,500	\$56,116
Public Assistance Fund	287	0	0	0	7,459	7,746
MRDD Fund	0	0	0	0	155	155
Non-major						
Governmental Funds	70,380	3,348	832	126,500	0	201,060
Sewer Fund	0	0	127	0	6,337	6,464
Fair Haven Fund	103	0	0	0	0	103
Total	<u>\$70,770</u>	<u>\$3,348</u>	<u>\$1,575</u>	<u>\$126,500</u>	<u>\$69,451</u>	<u>\$271,644</u>

The additional amount of interfund payables is due to enterprise funds. The General Fund and the nonmajor governmental funds had interfund payables to the Sewer Fund and Recycling Fund in the amounts of \$21 and \$9,000, respectively.

The General Fund had transfers out equal to \$625,657. Out of total transfers out, \$130,231 was to the Public Assistance Special Revenue Fund; \$257,931 was to the Children's Services Special Revenue Fund; \$196,800 was to the Sewer Enterprise Fund; and \$40,695 was to subsidize various programs. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The MRDD Special Revenue Fund transferred \$301,635 to the Permanent Improvement Capital Projects Fund for the construction project.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

18. SIGNIFICANT CONTRACTUAL COMMITMENTS (Continued)

As of December 31, 2003, 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 12/31/03</u>
Freytag and Associates	Third Floor Renovation	\$34,000	\$31,191	\$2,809
Westerheide Developers	Third Floor Renovation	167,220	163,113	4,107
Robert Oldham Ltd.	Sewer Project	9,883	0	9,883
Brumbaugh Construction	Knoop-Johnson Road Bridge	837,598	0	837,598
Burgess and Niple Engineering	Bridge Replacement	133,100	97,081	36,019
Freytag and Associates	Second Floor Renovation	20,000	9,518	10,482
Larger Inc	Second Floor Renovation	99,180	77,086	22,094
Regal Plumbing	Second Floor Renovation	8,832	4,945	3,887
Dayton Fire Protection	Second Floor Renovation	37,500	33,723	3,777
Choice One Engineering	Engineering Fees	222,359	139,808	82,551
Totals		<u>\$1,569,672</u>	<u>\$556,465</u>	<u>\$1,013,207</u>

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

A. Nature of Organization

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

S and H Products is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of the Thomas Edison Center became subject to social security (FICA) coverage due to the Social Security Amendments of 1983. S and H Products operates on a fiscal year which ran from July 1, 2002, to June 30, 2003.

B. Classification of Net Assets

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

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

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At December 31, 2003, all of the assets of the component unit are unrestricted, except for \$169,747 that is invested in capital assets, net of related debt.

C. Deposits and Investments

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

At year-end, the carrying amount of deposits for S and H Products was \$273,774 and the bank balance was \$231,508. The entire bank balance was covered by federal depository insurance.

During 2003, S and H Products invested in mutual funds, which are a category 2 investment. At year-end, the fair value of the mutual fund investments was \$178,431. Except for nonparticipating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value should be determined by the fund's current share price.

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$103,017	\$349,438
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	171,007	(171,007)
GASB Statement No. 3	\$273,774	\$178,431

D. Capital Assets

A summary of S and H Products capital assets at December 31, 2003, follows:

Building	\$42,000
Leasehold Improvements	13,987
Shop and Office Equipment	177,165
Transportation Equipment	95,958
Total Capital Assets Being Depreciated	329,110
Less Accumulated Depreciation	(159,363)
Total Capital Assets, Net	\$169,747

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

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

It is the component unit's policy to capitalize all assets in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over an estimated useful life of 39 years for buildings, 25 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to \$26,539.

E. Segment Information

Net working capital for S and H Products was \$484,407. During 2003, S and H Products acquired capital assets in the amount of \$9,994 and disposed of capital assets in the amount of \$99,688. Other segment information can be obtained in the combined financial statements.

20. JOINT VENTURES

A. Shelby County Office of Homeland Security

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2003, the County contributed \$63,171 (50 percent) of total revenue for the operation of the agency. The agency is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The agency is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Tom Cisco, Director, located at 800 Fair Road, Sidney, Ohio 45365.

B. Shelby County Regional Planning Commission

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

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

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 2003, a tax levy provided \$608,325 (27 percent of total tax revenue) for the operations of the organization.

B. West Central Ohio Network

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Darke, Hancock, Hardin, Mercer, Miami, Logan, Paulding, Putnam, Shelby, Union and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and locally raised money. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. Shelby County made one payment of \$85,000 to the West Central Ohio Network during 2003.

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 2003, 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

22. 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 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 2003, the County did not have any financial contributions to the operation of the SMHA.

23. INSURANCE POOLS

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 2003, the County did not have any financial contributions to the operation of the CCAOSC.

24. RISK SHARING POOLS

A. Mid West Pool Risk Management Agency, Inc.

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing a risk-sharing insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Pool. Coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

24. RISK SHARING POOLS (Continued)

B. Midwest Employee Benefit Consortium

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

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

25. RELATED PARTY TRANSACTIONS

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

The additional income and related expenses are reflected in the financial statements of the component unit. In 2003, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were \$311,677. In other transactions with Shelby County, S and H Products received \$5,374 from the County for goods and services. The County also received a short-term loan from S and H Products in the amount of \$200,000, as disclosed in Note 16.

26. CONTINGENCIES

A. Litigation

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

B. Grants

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

27. SUBSEQUENT EVENTS

On February 28, 2004, the \$1,000,000 general obligation note for the Job and Family Services Building was paid off.

The County is in the process of obtaining a note for MRDD in the amount of \$704,000.

**SHELBY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grant	B-C-99-070-1	14.228	\$524
	B-C-01-070		51,802
	B-F-00-070-1		107,280
	B-F-99-070-1		7,457
Total Community Development Block Grant			<u>167,063</u>
Home Investment Partnership Program	B-C-99-070-2	14.239	<u>272,817</u>
Total U.S. Department of Housing and Urban Development			<u>439,880</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Victims of Crime Act	N/A	16.575	22,899
Cops in School	2002SHWX0547	16.710	44,076
Byrne Memorial	2001-DG-H01-7624 2002-DG-H01-7394	16.579	59,499 21,405 <u>80,904</u>
Total U.S. Department of Justice			<u>147,879</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>(Passed Through Area Agency on Aging):</i>			
Food Distribution	N/A	10.550	<u>15,404</u>
U.S. DEPARTMENT OF EDUCATION			
<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	48,799
	071159-6B-SF-01		15,060
Total Special Education Grants to States			<u>63,859</u>
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-02	84.173	42,019
	071159-PG-SI-03		13,654
Total Special Education Preschool Grants			<u>55,673</u>
Total Special Education Cluster			119,532
Child Progress Indicator Grant	071159-PG-2003P	84.173A	17,905
Title V - Innovative Educational Program Strategies	071159-PG-S1-2003	84.298	<u>500</u>
Total U.S. Department of Education			<u>137,937</u>
U.S. DEPARTMENT OF LABOR			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act-Adult	N/A	17.258	34,395
Workforce Investment Act-Adult Administrative			6,727
Workforce Investment Act-Adult Total			<u>41,122</u>
Workforce Investment Act-Youth	N/A	17.259	130,555
Workforce Investment Act-Youth Administrative			8,231
Workforce Investment Act-Youth Total			<u>138,786</u>
Workforce Investment Act-Dislocated	N/A	17.260	43,358
Workforce Investment Act-Dislocated Administrative			6,791
Workforce Investment Act-Dislocated Total			<u>50,149</u>
Total U.S. Department of Labor			<u>230,057</u>

(Continued)

**SHELBY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Entity Number	CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
(NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
<i>(Passed Through State of Ohio Governor's Highway Safety Office)</i>			
Highway Planning and Construction (Federal Aid Highway Program)	3234	20.205	<u>22,200</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Family Preservation and Support Services Grant	N/A	93.556	9,151
Title IV-B - Child Welfare Services State Grants	N/A	93.645	709
<i>(Passed Through Area Agency on Aging):</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	45,400
Title III-C - Special Programs for the Aging	N/A	93.045	74,684
<i>(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):</i>			
Title XX - Social Services Block Grant	MR-75-FY02	93.667	29,697
	MR-75-FY03		<u>21,253</u>
Total Title XX - Social Services Block Grant			50,950
Medicaid (Medical Assistance Programs)	7500010-CY02	93.778	121,472
	7500010-CY03		220,074
	7500010-CY02		<u>35,371</u>
Total Medicaid (Medical Assistance Programs)			376,917
Total U.S. Department of Health and Human Services			<u>557,811</u>
Total			<u><u>\$1,551,168</u></u>

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

**SHELBY COUNTY
FINANCIAL CONDITION**

FOR THE YEAR ENDED DECEMBER 31, 2003

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2003, the gross amount of loans outstanding under this program were \$1,142,628.

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 Workforce Investment Act, Medicaid, Aging Cluster, and Victims of Crime Act programs were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.

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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 accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 1, 2004, which collectively comprise the County's basic financial statements, wherein we noted that the County adopted Government Accounting Standards Board Statement No. 34. 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. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar, as it relates to the amounts included for the component unit, is based on the report of other auditors.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated September 1, 2004.

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 September 1, 2004.

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Financial Condition
Shelby County
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

September 1, 2004



**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, Ohio, (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. 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, 2003. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of County in a separate letter dated September 1, 2004.

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.

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

September 1, 2004

**SHELBY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2003-001

Finding for Recovery Repaid Under Audit

Our audit of Shelby County for the year ending December 31, 2003, indicated missing Shelby County Area Transportation System (SCATS) equipment and illegal 2003 expenditures made by the department as noted below.

Our audit of the Shelby County equipment inventory as of December 31, 2003, indicated a Sony P-51 digital camera valued at \$199.00 purchased by the Shelby County Area Transportation System which has been converted or misappropriated:

Our audit of the 2003 Shelby County expenditures noted the following illegal expenditures made from Shelby County Area Transportation System funds:

<u>Item</u>	<u>Value</u>
Christmas decorations, candy, and cards	\$136.75
Flowers	23.00
Attendance at 2004 leadership program classes	100.00
Sunset Sidney Kiwanis membership dues	90.00
Total purchases	<u>\$349.75</u>

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property which has been converted or misappropriated and for public money illegally expended is hereby issued against Sheila A. Nuss, former Director of the Shelby County Area transportation System, in the amount of \$548.75.

The finding for recovery was repaid while under audit as evidenced by County receipt #112638, dated June 24, 2004.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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FINANCIAL CONDITION

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 5, 2004**