



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SHELBY COUNTY
FINANCIAL CONDITION**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of Shelby County (the County) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of S&H Products which represents 100 percent of the assets and revenues of the component unit columns. Those financial statements were audited by another auditor whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2001, the County adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

August 20, 2002

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**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,503,124	\$7,605,023	\$17,605	\$2,159,537	\$426,408
Cash and Cash Equivalents in Segregated Accounts	331	2,648			8,207
Investments in Segregated Accounts					
Receivables:					
Property and Other Taxes	2,102,400	2,428,276			
Permissive Sales Tax	530,667	353,220		176,889	
Accounts	120,035	47,051			288,396
Special Assessments		215,704	44,722	111,365	1,380,114
Accrued Interest	119,401				
Due from Other Funds	810,196	38,451			19,351
Due from Other Governments	201,567	2,512,177			181,497
Interfund Receivable	6,578	17,000		250,157	8,490
Advances Receivable	105,176			74,212	
Notes Receivable		944,784			
Loan Receivable	22,500				
Materials and Supplies Inventory	40,802	126,545			10,524
Prepaid Items	76,979	21,295		9,981	1,595
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					10,275,114
Other Debits:					
Amount Available in Special Assessment Bond Retirement Fund					
Amount to be Provided from General Government Resources					
Total Assets and Other Debits	7,639,756	14,312,174	62,327	2,782,141	12,599,696

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
\$2,495,889			\$16,207,586		\$16,207,586
405,426			416,612	103,285	519,897
64,861			64,861	404,320	469,181
43,639,456			48,170,132		48,170,132
			1,060,776		1,060,776
850,900			1,306,382	34,889	1,341,271
2,775,144			4,527,049		4,527,049
			119,401	3,872	123,273
3,255			871,253		871,253
3,595,357			6,490,598		6,490,598
			282,225		282,225
			179,388		179,388
			944,784		944,784
			22,500		22,500
			177,871		177,871
			109,850		109,850
	29,606,337		39,881,451	238,934	40,120,385
		17,605	17,605		17,605
		2,652,461	2,652,461		2,652,461
53,830,288	29,606,337	2,670,066	123,502,785	785,300	124,288,085

(Continued)

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	\$132,249	\$311,126		\$16,380	\$60,575
Contracts Payable	20,834	95,958		563,823	9,954
Retainage Payable	2,315	289		41,236	3,524
Accrued Wages	250,771	301,100			200,728
Compensated Absences Payable	41,619	49,578			230,677
Due to Other Funds	23,777	18,421			1,358
Due to Other Governments	80,456	73,563			137,516
Accrued Interest Payable				63,833	
Interfund Payable	60,500	32,067			189,658
Advances Payable				179,388	
Deferred Revenue	2,727,386	4,960,091	44,722	111,365	
Undistributed Monies					
Notes Payable				1,000,000	
Capital Leases Payable					61,875
OPWC Loan Payable					2,296,667
OWDA Loans Payable					
Total Liabilities	<u>3,339,907</u>	<u>5,842,193</u>	<u>44,722</u>	<u>1,976,025</u>	<u>3,192,532</u>
Fund Equity and Other Credits:					
Investment in General Fixed Assets					
Contributed Capital					6,108,511
Retained Earnings:					
Unreserved					3,298,653
Fund Balance:					
Reserved for Encumbrances	153,401	426,373		252,526	
Reserved for Materials and Supplies Inventory	40,802	126,545			
Reserved for Unclaimed Monies					
Reserved for Advances Receivable	105,176			74,212	
Reserved for Notes Receivable		944,784			
Reserved for Loan Receivable	22,500				
Unreserved (Deficit)	3,977,970	6,972,279	17,605	479,378	
Total Fund Equity (Deficit) and Other Credits	<u>4,299,849</u>	<u>8,469,981</u>	<u>17,605</u>	<u>806,116</u>	<u>9,407,164</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$7,639,756</u>	<u>\$14,312,174</u>	<u>\$62,327</u>	<u>\$2,782,141</u>	<u>\$12,599,696</u>

See Notes to the General Purpose Financial Statements.

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
\$1,557			\$521,887	\$7,175	\$529,062
			690,569		690,569
			47,364		47,364
			752,599	14,232	766,831
		1,099,171	1,421,045		1,421,045
827,697			871,253		871,253
50,059,819		435,358	50,786,712	429	50,787,141
			63,833		63,833
			282,225		282,225
			179,388		179,388
			7,843,564		7,843,564
2,897,257			2,897,257		2,897,257
		1,000,000	2,000,000		2,000,000
		88,863	88,863		88,863
			61,875		61,875
		46,674	2,343,341		2,343,341
53,786,330		2,670,066	70,851,775	21,836	70,873,611
	29,606,337		29,606,337		29,606,337
			6,108,511	64,215	6,172,726
			3,298,653	699,249	3,997,902
			832,300		832,300
			167,347		167,347
8,422			8,422		8,422
			179,388		179,388
			944,784		944,784
			22,500		22,500
35,536			11,482,768		11,482,768
43,958	29,606,337		52,651,010	763,464	53,414,474
<u>\$53,830,288</u>	<u>\$29,606,337</u>	<u>\$2,670,066</u>	<u>\$123,502,785</u>	<u>\$785,300</u>	<u>\$124,288,085</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property and Other Taxes	\$1,984,416	\$2,384,370				\$4,368,786
Permissive Sales Tax	3,259,143	2,271,917		1,086,381		6,617,441
Intergovernmental	2,145,744	10,783,121		92,125		13,020,990
Charges for Services	2,660,156	1,200,780				3,860,936
Licenses and Permits	3,560	107,168				110,728
Fines and Forfeitures	185,713	48,363				234,076
Special Assessments		200,545	9,124	100,464		310,133
Interest	1,043,172	77,807				1,120,979
Increase in Fair Value of Investments	88,145					88,145
Other	237,150	504,416			12,268	753,834
Total Revenues	11,607,199	17,578,487	9,124	1,278,970	12,268	30,486,048
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,059,032	1,061,363			108	4,120,503
Judicial	1,919,079	180,698				2,099,777
Public Safety	3,717,884	433,509				4,151,393
Public Works	911,050	5,997,470				6,908,520
Health	81,053	95,931				176,984
Human Services	775,340	10,652,633			8,872	11,436,845
Economic Development and Assistance		378,934				378,934
Intergovernmental	537,178					537,178
Capital Outlay	16,939	34,089		3,129,496		3,180,524
Debt Service:						
Principal Retirement	17,010		3,048			20,058
Interest and Fiscal Charges	1,875		3,789	63,833		69,497
Total Expenditures	11,036,440	18,834,627	6,837	3,193,329	8,980	33,080,213
Excess of Revenues Over (Under) Expenditures	570,759	(1,256,140)	2,287	(1,914,359)	3,288	(2,594,165)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	20,932	2,054				22,986
Other Financing Sources				1,000,000		1,000,000
Inception of Capital Lease	16,939	34,089				51,028
Operating Transfers - In		978,592				978,592
Operating Transfers - Out	(1,933,269)	(287,754)				(2,221,023)
Total Other Financing Sources (Uses)	(1,895,398)	726,981		1,000,000		(168,417)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,324,639)	(529,159)	2,287	(914,359)	3,288	(2,762,582)
Fund Balances at Beginning of Year - Restated (See Note 3)	5,602,000	8,986,930	15,318	1,720,475	40,670	16,365,393
Increase in Reserve for Inventory	22,488	12,210				34,698
Fund Balances (Deficit) at End of Year	<u>\$4,299,849</u>	<u>\$8,469,981</u>	<u>\$17,605</u>	<u>\$806,116</u>	<u>\$43,958</u>	<u>\$13,637,509</u>

See Notes to the General Purpose Financial Statements.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and Other Taxes	\$2,095,347	\$1,986,663	(\$108,684)	\$2,350,761	\$2,384,680	\$33,919
Permissive Sales Tax	3,200,000	3,311,484	111,484	2,000,000	2,306,257	306,257
Intergovernmental	2,164,235	2,205,499	41,264	11,650,750	11,652,704	1,954
Charges for Services	2,483,350	2,653,041	169,691	941,084	1,200,712	259,628
Licenses and Permits	4,310	3,535	(775)	96,615	107,156	10,541
Fines and Forfeitures	169,000	192,536	23,536	55,212	50,430	(4,782)
Special Assessments				212,671	210,520	(2,151)
Interest	1,128,100	1,146,830	18,730	33,100	74,624	41,524
Other	143,200	457,166	313,966	435,165	340,533	(94,632)
Total Revenues	11,387,542	11,956,754	569,212	17,775,358	18,327,616	552,258
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,444,146	3,058,118	386,028	672,289	1,065,273	(392,984)
Judicial	2,034,639	1,946,765	87,874	333,689	184,813	148,876
Public Safety	3,807,353	3,802,559	4,794	287,678	260,059	27,619
Public Works	1,343,567	1,017,691	325,876	9,007,225	6,389,012	2,618,213
Health	102,865	81,081	21,784	108,228	97,218	11,010
Human Services	968,530	841,252	127,278	11,644,443	11,137,926	506,517
Economic Development and Assistance				1,124,865	1,067,657	57,208
Intergovernmental	543,803	540,178	3,625			
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	12,244,903	11,287,644	957,259	23,178,417	20,201,958	2,976,459
Excess of Revenues Over (Under) Expenditures	(857,361)	669,110	1,526,471	(5,403,059)	(1,874,342)	3,528,717
Other Financing Sources (Uses):						
Proceeds from Sale of Notes						
Proceeds from Sale of Fixed Assets	26,000	20,932	(5,068)		2,054	2,054
Advances - In	947,533	990,253	42,720	60,490	53,490	(7,000)
Advances - Out	(114,823)	(114,823)		(65,390)	(53,390)	12,000
Operating Transfers - In				2,050,274	978,592	(1,071,682)
Operating Transfers - Out	(1,954,698)	(1,933,269)	21,429	(287,765)	(287,754)	11
Total Other Financing Sources (Uses)	(1,095,988)	(1,036,907)	59,081	1,757,609	692,992	(1,064,617)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,953,349)	(367,797)	1,585,552	(3,645,450)	(1,181,350)	2,464,100
Fund Balances at Beginning of Year	3,090,653	3,090,653		6,662,519	6,662,519	
Prior Year Encumbrances Appropriated	265,846	265,846		1,021,586	1,021,586	
Fund Balances at End of Year	\$1,403,150	\$2,988,702	\$1,585,552	\$4,038,655	\$6,502,755	\$2,464,100

See Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			1,200,000	1,103,828 92,125	(96,172) 92,125			
35,000	9,124	(25,876)	89,003	100,464	11,461			
						8,000	11,488	3,488
35,000	9,124	(25,876)	1,289,003	1,296,417	7,414	8,000	11,488	3,488
						108	108	
						23,844	9,525	14,319
			4,673,913	3,604,067	1,069,846			
3,048	3,048							
3,789	3,789							
6,837	6,837		4,673,913	3,604,067	1,069,846	23,952	9,633	14,319
28,163	2,287	(25,876)	(3,384,910)	(2,307,650)	1,077,260	(15,952)	1,855	17,807
			2,000,000	2,000,000				
			973	973				
(801)	(801)		(56,919)	(56,919)				
(801)	(801)		1,944,054	1,944,054				
27,362	1,486	(25,876)	(1,440,856)	(363,596)	1,077,260	(15,952)	1,855	17,807
16,119	16,119		1,386,409	1,386,409		39,321	39,321	
			273,077	273,077		1,084	1,084	
\$43,481	\$17,605	(\$25,876)	\$218,630	\$1,295,890	\$1,077,260	\$24,453	\$42,260	\$17,807

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EATNINGS - ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Primary Government		Total Reporting Entity (Memorandum Only)
	Enterprise	Component Unit	
Operating Revenues:			
Sales	\$90,227	\$445,555	\$535,782
Charges for Services	5,589,625		5,589,625
Subsidy from County Board		4,002	4,002
Other	38,587		38,587
Total Operating Revenues	<u>5,718,439</u>	<u>449,557</u>	<u>6,167,996</u>
 Operating Expenses:			
Personal Services	4,304,848	322,174	4,627,022
Contractual Services	1,009,460	77,219	1,086,679
Materials and Supplies	620,627	49,558	670,185
Other	121,276	2,758	124,034
Depreciation	335,672	31,600	367,272
Total Operating Expenses	<u>6,391,883</u>	<u>483,309</u>	<u>6,875,192</u>
 Operating Loss	<u>(673,444)</u>	<u>(33,752)</u>	<u>(707,196)</u>
 Non-Operating Revenues (Expenses):			
Interest	198	18,159	18,357
Contributions		360	360
Capital Donations from Governmental Funds	31,024		31,024
Loss on Disposal of Fixed Assets	(3,336)		(3,336)
Miscellaneous Income		9,967	9,967
Employee Assistance		(16,170)	(16,170)
Subsidy from County Board		251,757	251,757
Interest and Fiscal Charges	(187,516)		(187,516)
Expenditures of Unrestricted Service Support		(251,757)	(251,757)
Total Non-Operating Revenues (Expenses)	<u>(159,630)</u>	<u>12,316</u>	<u>(147,314)</u>
 Net Loss Before Operating Transfers	<u>(833,074)</u>	<u>(21,436)</u>	<u>(854,510)</u>
 Operating Transfers-In	<u>1,242,431</u>		<u>1,242,431</u>
 Net Income (Loss)	<u>409,357</u>	<u>(21,436)</u>	<u>387,921</u>
 Retained Earnings at Beginning of Year - Restated (See Note 3)	<u>2,889,296</u>	<u>720,685</u>	<u>3,609,981</u>
Retained Earnings at End of Year	<u>\$3,298,653</u>	<u>\$699,249</u>	<u>\$3,997,902</u>

See Notes to the General Purpose Financial Statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$120,500	\$110,384	(\$10,116)
Charges for Services	6,157,731	5,485,025	(672,706)
Special Assessments	153,163	153,163	
Interest	500	209	(291)
Other	11,300	32,981	21,681
Total Revenues	<u>6,443,194</u>	<u>5,781,762</u>	<u>(661,432)</u>
Expenses:			
Personal Services	4,399,889	4,239,890	159,999
Contractual Services	1,176,234	1,039,191	137,043
Materials and Supplies	757,524	693,558	63,966
Other	170,725	143,929	26,796
Capital Outlay	222,423	147,632	74,791
Debt Service:			
Principal Retirement	177,646	177,646	
Interest and Fiscal Charges	187,516	187,516	
Total Expenses	<u>7,091,957</u>	<u>6,629,362</u>	<u>462,595</u>
Excess of Revenues Under Expenses	(648,763)	(847,600)	(198,837)
Advances - In	136,200	117,240	(18,960)
Advances - Out	(936,033)	(936,023)	10
Transfers - In	<u>1,237,431</u>	<u>1,242,431</u>	<u>5,000</u>
Excess of Revenues Under Expenses, Advances, and Transfers	(211,165)	(423,952)	(212,787)
Fund Equity at Beginning of Year	630,092	630,092	
Prior Year Encumbrances Appropriated	126,469	126,469	
Fund Equity at End of Year	<u><u>\$545,396</u></u>	<u><u>\$332,609</u></u>	<u><u>(\$212,787)</u></u>

See Notes to the General Purpose Financial Statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Primary Government		Total Reporting Entity (Memorandum Only)
	Enterprise	Component Unit	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received From Customers and Support	\$5,750,092	\$457,944	\$6,208,036
Cash Paid for Employee Services and Benefits	(4,239,890)	(308,900)	(4,548,790)
Cash Paid to Suppliers	(1,654,509)	(155,730)	(1,810,239)
Other Operating Receipts	38,587		38,587
Other Operating Expenses	(150,832)		(150,832)
Net Cash Used for Operating Activities	<u>(256,552)</u>	<u>(6,686)</u>	<u>(263,238)</u>
Cash Flows from Noncapital Financing Activities:			
Contributions and Donations		360	360
Employee programs revenue and expense (net)		(9,139)	(9,139)
Advances - In	117,240		117,240
Advances - Out	(936,023)		(936,023)
Transfers - In	1,242,431		1,242,431
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>423,648</u>	<u>(8,779)</u>	<u>414,869</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(133,678)	(14,420)	(148,098)
OWDA Loan Principal Payments	(173,896)		(173,896)
OPWC Loan Principal Payments	(3,750)		(3,750)
OWDA Loan Interest Payments	(187,516)		(187,516)
Net Cash Used for Capital and Related Financing Activities	<u>(498,840)</u>	<u>(14,420)</u>	<u>(513,260)</u>
Cash Flows from Investing Activities:			
Interest	213	31,930	32,143
Sale of Investments		242,640	242,640
Purchase of Investments		(270,077)	(270,077)
Net Cash Provided by Investing Activities	<u>213</u>	<u>4,493</u>	<u>4,706</u>
Net Decrease in Cash and Cash Equivalents	(331,531)	(25,392)	(356,923)
Cash and Cash Equivalents at Beginning of Year	<u>766,146</u>	<u>128,677</u>	<u>894,823</u>
Cash and Cash Equivalents at End of Year	<u><u>434,615</u></u>	<u><u>103,285</u></u>	<u><u>537,900</u></u>

(Continued)

**FINANCIAL CONDITION
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	<u>Primary Government</u>		<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Component Unit</u>	
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(673,444)	(33,752)	(707,196)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	335,672	31,600	367,272
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	62,548	27,430	89,978
Decrease in Special Assessments Receivable	150,130		150,130
Decrease in Due from Other Funds	38,359		38,359
Increase in Due from Other Governments	(180,797)		(180,797)
Decrease in Materials and Supplies Inventory	2,563		2,563
Decrease in Prepaid Items	320		320
Decrease in Accounts Payable	(66,684)	(33,865)	(100,549)
Increase in Contracts Payable	9,954		9,954
Increase in Retainage Payable	3,524		3,524
Increase in Accrued Wages	19,788	3,391	23,179
Increase in Compensated Absences Payable	14,723		14,723
Increase in Due to Other Funds	1,109		1,109
Increase (Decrease) in Due to Other Governments	25,683	(1,490)	24,193
Net Cash Used for Operating Activities	<u>(\$256,552)</u>	<u>(\$6,686)</u>	<u>(\$263,238)</u>

Non-Cash Transactions:

During 2001, general fixed assets were transferred to the enterprise funds and capitalized at \$31,024, the book value on the date donated.

Non-Cash Transactions (Component Unit):

During 2001, depreciation on assets acquired through grants of the component unit was \$11,326.

See Notes to the General Purpose Financial Statements.

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**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

The component unit column in the combined financial statements identifies the financial data of the County's discretely presented component unit, S and H Products. It is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component unit is presented in Note 21.

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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

Shelby County General Health District
Shelby County Soil Conservation District
Shelby County Regional Planning Commission
Shelby County Disaster Services
Shelby County Park District
Shelby County Special Emergency Planning

The County participates in certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, a Related Organization, and Insurance Purchasing Pools. The County's Joint Ventures, the Shelby County Emergency Management Agency (EMA) and the Shelby County Regional Planning Commission (the Commission), are presented in Note 22 of the general purpose financial statements. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Jointly Governed Organizations of the County, the Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board), the West Central Ohio Network (West Con), and the North Central Ohio Solid Waste Management District (the District), are presented in Note 23 of the general purpose financial statements. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Related Organization, the Shelby Metropolitan Housing Authority (SMHA), is presented in Note 24. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County. The Insurance Purchasing 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 25 of the general purpose financial statements. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

B. Basis of Presentation - Fund Accounting

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

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

1. Governmental Fund Types

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

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

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

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

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

2. Proprietary Fund Type

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

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

3. Fiduciary Fund Types

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

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

4. Account Groups

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

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

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

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 the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below. Separate information for the discretely presented component unit can be found in Note 21.

A. Measurement Focus and Basis of Accounting

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

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met, and payments received before services are provided, are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process

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

All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Budgetary modifications may only be made by resolution of the County Commissioners. Budgetary information has not been presented for the discretely presented component unit because it is not included in the entity for which the "appropriated budget" is adopted nor does the entity maintain separate budgetary records.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

3. Appropriations

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Budgeted Level of Expenditures/Expenses

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

5. Encumbrances

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

6. Lapsing of Appropriations

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

C. Cash and Cash Equivalents

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

During 2001, 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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$1,043,172 was credited to the General Fund during 2001, which includes \$765,381 assigned from other county funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

D. Receivables and Payables

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

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

E. Inventory of Supplies

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure in the year in which services are consumed.

G. Interfund Assets and Liabilities

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets

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

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

General Fixed Assets

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

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

Enterprise Fund Fixed Assets

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

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

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

I. Contributed Capital

Contributed capital represents donations by private sources, resources from other funds, grants restricted for capital construction, and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Beginning in 2001, GASB Statement No. 33 requires that these types of contributions be recognized as revenue. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. Capitalization of Interest

The County's policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2001, interest costs incurred on construction projects in enterprise funds were not material.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the county has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the County's termination policy.

The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for all employees after ten years of current service with the County. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Debt

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

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reserves of Fund Balance

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

N. Interfund Transactions

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

O. 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.

P. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

For 2001, the County has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. GASB Statement No. 33 also requires that, beginning in 2001, capital contributions to proprietary funds be recognized as revenues.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

Restatements were necessary for accrued interest receivable and due from other governments due to the implementation of GASB Statement No. 33. Interfund receivables/payables were also restated, and cash was adjusted for special assessments recorded in an incorrect fund for 1999 and 2000.

These changes had the following effect on fund balance as previously reported at December 31, 2000:

	General	Special Revenue	Debt Service	Capital Projects
Fund Balance as previously reported	\$5,452,936	\$8,726,285	\$73,488	\$1,663,106
Restatement of accrued interest receivable	(68,572)	0	0	0
Restatement of due from other governments	216,835	260,645	0	0
Restatement of equity in pooled cash and cash equivalents	0	0	(57,369)	57,369
Restatement of interfund receivable/payable	801	0	(801)	0
Restated Fund Balance at December 31, 2000	<u>\$5,602,000</u>	<u>\$8,986,930</u>	<u>\$15,318</u>	<u>\$1,720,475</u>

Retained earnings of the enterprise funds were also restated \$701 from \$2,888,595 to \$2,889,296 for a restatement of due from other governments.

These changes had the following effect on the excess of revenues and other financing sources over expenditures and other financing uses as previously reported for the year ending December 31, 2000:

	General	Special Revenue	Debt Service	Capital Projects
Excess as previously reported	\$740,805	\$356,401	\$28,446	(\$344,642)
Restatement of accrued interest receivable	(68,572)	0	0	0
Restatement of due from other governments	216,835	260,645	0	0
Restatement of cash and cash equivalents	0	0	(57,369)	57,369
Restated Amount at December 31, 2000	<u>\$889,068</u>	<u>\$617,046</u>	<u>(\$28,923)</u>	<u>(\$287,273)</u>

The net loss of the enterprise funds as previously reported for the year ending December 31, 2000 was also restated \$701 from \$376,006 to \$375,305 for the restatement of due from other governments.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$1,324,639)	(\$529,159)	\$2,287	(\$914,359)	\$3,288
Adjustments:					
Revenue Accruals	623,396	951,346	0	17,447	(780)
Expenditure Accruals	116,958	(493,185)	0	442,928	827
Unrecorded Cash	(201,992)	(236,306)	0	0	0
Change in Fair Value of					
Investments	(88,145)	0	0	0	0
Prepaid Items	(56,375)	(8,184)	0	9,981	0
Proceeds of Notes	0	0	0	1,000,000	0
Encumbrances	(312,430)	(865,962)	0	(863,647)	(1,480)
Advances	875,430	100	(801)	(55,946)	0
Budget Basis	<u>(\$367,797)</u>	<u>(\$1,181,350)</u>	<u>\$1,486</u>	<u>(\$363,596)</u>	<u>\$1,855</u>

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

GAAP Basis	\$409,357
Adjustments:	
Revenue Accruals	32,838
Expense Accruals	21,610
Unrecorded Cash	(737)
Materials and Supplies Inventory	(2,563)
Prepaid Items	(320)
Capital Outlay	(133,678)
Debt Principal	(177,646)
Loss on Disposal of Fixed Assets	3,336
Encumbrances	(93,038)
Advances	(818,783)
Depreciation	335,672
Budget Basis	<u><u>(\$423,952)</u></u>

5. COMPLIANCE AND ACCOUNTABILITY

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2001, at the legal level of budgetary control adopted by the Board of County Commissioners:

Fund/Program	Appropriations	Expenditures plus Encumbrances	Difference
Ohio Children's Trust Special Revenue Fund			
General Government-Legislative and Executive	\$0	\$3,756	(\$3,756)
Real Estate Assessment Special Revenue Fund			
General Government-Legislative and Executive	398,095	807,354	(409,259) *
LPA Project Capital Projects Fund			
Capital Outlay	0	92,125	(92,125)

* The County redistributed unused tax fees to the local subdivisions. These expenditures were not required to be appropriated.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

5 COMPLIANCE AND ACCOUNTABILITY (Continued)

The following funds had deficit fund balances as of December 31, 2001:

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds:</u>	
Material Recovery Facility Efficiency Study Grant	\$50
MRS Daycare	10,458
Ohio Department of Education	4,641
Recycle Ohio Grant	2,360
<u>Capital Projects Funds:</u>	
Clayton Ditch Construction	353
Kies Ditch Construction	33,608
King-Elsass Ditch Construction	4,525
Martin Ditch Construction	20,205
Mill Branch Ditch Construction	15,292
Rose Ditch Construction	973
Watergate Ditch Construction	4,882

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

6. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Inactive monies may be deposited or invested in the following securities:

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

At year-end, the County had \$38,861 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."

Deposits

At year-end, the carrying amount of the County's deposits was \$5,729,687 and the bank balance was \$5,917,266. Of the bank balance, \$503,090 was covered by federal deposit insurance and \$5,414,176 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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

	Category 2	Category 3	Carrying/Fair Value
Repurchase Agreements	\$0	\$223,491	\$223,491
First American Treasury Obligations	868,020	0	868,020
U.S. Treasury Notes	1,415,006	0	1,415,006
Federal Home Loan Bank Bonds	4,839,771	0	4,839,771
Federal National Mortgage Association (FNMA) Bonds	698,628	0	698,628
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	1,763,620	0	1,763,620
Federal Farm Credit Bank Bonds	1,111,975	0	1,111,975
Total	<u>\$10,697,020</u>	<u>\$223,491</u>	<u>\$10,920,511</u>

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$16,624,198	\$64,861
Cash on Hand	(38,861)	0
Investments:		
Certificates of Deposit	64,861	(64,861)
Repurchase Agreements	(223,491)	223,491
First American Treasury Obligations	(868,020)	868,020
U.S. Treasury Notes	(1,415,006)	1,415,006
Federal Home Loan Bank Bonds	(4,839,771)	4,839,771
Federal National Mortgage Association (FNMA) Bonds	(698,628)	698,628
Federal Home Loan Mortgage Corporation (FHLMC) Bonds	(1,763,620)	1,763,620
Federal Farm Credit Bank Bonds	(1,111,975)	1,111,975
GASB Statement No. 3	<u>\$5,729,687</u>	<u>\$10,920,511</u>

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

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. The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds of the County. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2001, was \$5.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Agricultural/Residential Real Property	\$525,107,140
Other Real Property	126,118,080
Tangible Personal Property	260,841,292
Public Utility Personal Property	54,211,810
Total Assessed Value	<u>\$966,278,322</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001, 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 2001 operations. The receivable is offset by deferred revenue.

8. PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the General Fund, the Auto License and Gas Tax Special Revenue Fund, and the Permanent Improvement Capital Projects Fund. Amounts received within the available period are accrued as revenue. Sales and use tax revenue received in 2001 amounted to \$6,617,441.

9. RECEIVABLES

Receivables at December 31, 2001, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), special assessments, interest, due from other funds, intergovernmental receivables arising from grants, entitlements and shared revenues, interfund, advances, notes, and loans. The special assessments receivable in the enterprise funds represent assessments to property owners for the new sewer system that have been assessed to property owners on the tax duplicate.

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

9. RECEIVABLES (Continued)

	Juvenile Court Fines	Clerk of Courts/ Common Pleas Court Fines	Sheriff's Department Court Costs and Fines	Other Receivables	Total Receivables
Receivable	\$306,840	\$2,571,094	\$20,179	\$448,678	\$3,346,791
Allowance for Uncollectibles	(153,420)	(1,876,899)	(10,090)	0	(2,040,409)
Net Accounts Receivable	<u>\$153,420</u>	<u>\$694,195</u>	<u>\$10,089</u>	<u>\$448,678</u>	<u>\$1,306,382</u>

A summary of intergovernmental receivables follows:

General Fund

Advertising for Delinquent Taxes Reimbursement	\$2,297
Defense of Indigents Reimbursement	40,480
Election Cost Reimbursement	41,528
Title IIIB	3,187
Lease Reimbursement	2,234
Congregate Site and Home Delivered	6,517
U. S. Department of Agriculture	5,523
Judges Reimbursement	639
Social Security Administration for Jail Linkage	800
Waiver IV	9,662
Homestead and Rollback	88,700
Total General Fund	<u>\$201,567</u>

Special Revenue Funds

Motor Vehicle License Tax	\$1,287,923
Gasoline Tax	651,696
Excess IRP Compensation	73,775
Homestead and Rollback	86,259
BMV-Immobilization Fee	100
City of Sidney Payroll Reimbursement	3,331
Title XX	7,702
Literacy Grant	1,000
Title VI-B	38,975
Preschool Grant	34,675
Early Intervention Grant	6,497
CHIP-CDBG	18,412
CHIP-HOME	52,207
CDBG	2,484
Material Recovery Facility Efficiency Study Grant	5,000
Victims of Crime Assistance Grant	46,213
Care and Custody Grant	15,709
Community Corrections Act	25,192
Drug Abuse Resistance Education Grant	10,625
Recycle Ohio Grant	3,674
Juvenile Accountability Grant	2,750
Children's Services Underfunded	53,188
CAFS	84,790
Total Special Revenue Funds	<u>2,512,177</u>

(Continued)

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

9. RECEIVABLES (Continued)

Enterprise Funds

Medicare Reimbursement	181,497
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Agency Funds

Library and Local Government	1,177,295
Local Government	1,389,496
Local Government Revenue Assistance	234,528
Personal Property Exemption	25,905
Gasoline Tax	330,238
Motor Vehicle License	306,007
Excess IRP Compensation	8,858
Help Me Grow Grant	62,865
Welcome Home Grant	15,200
Immunization Action Plan Grant	2,345
Well Child Direct Care Services	40,831
Hazardous Materials Grant	1,789
Total Agency Funds	<u>3,595,357</u>
Total All Funds	<u>\$6,490,598</u>

A. Notes Receivable

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and downpayment assistance. Some of the notes require monthly payments at various interest rates for up to ten years, while other notes are deferred until the owner sells the house. At December 31, 2001, the total amount of notes receivable of the Federal Revolving Loan Special Revenue Fund was \$944,784.

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2001, follows:

Land and Improvements	\$632,165
Buildings and Improvements	3,871,257
Machinery and Equipment	571,773
Furniture and Fixtures	164,976
Vehicles	347,939
Infrastructure	7,760,006
Total	<u>13,348,116</u>
Less accumulated depreciation	<u>(3,073,002)</u>
Net Book Value	<u>\$10,275,114</u>

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

10. FIXED ASSETS

A summary of the changes in general fixed assets during 2001 follows:

	Balance at December 31, 2000	Additions	Deletions	Balance at December 31, 2001
Land and Improvements	\$483,723	\$1,974	\$0	\$485,697
Buildings and Improvements	19,361,200	2,377,256	34,863	21,703,593
Machinery and Equipment	2,885,580	348,637	375,247	2,858,970
Furniture and Fixtures	433,622	8,667	12,136	430,153
Vehicles	3,877,948	476,089	226,113	4,127,924
Total General Fixed Assets	<u>\$27,042,073</u>	<u>\$3,212,623</u>	<u>\$648,359</u>	<u>\$29,606,337</u>

11. RISK MANAGEMENT

A. Property and Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2001, 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.

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

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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

11. RISK MANAGEMENT (Continued)

B. Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing pool consisting of five counties (See Note 25). 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 responsible for the payment of all MEBC liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of the MEBC, all members' claims would be paid without regard to the member's account balance. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims. Settled claims have not exceeded coverage in the last years. There have been no significant reductions in coverage from last year.

C. Workers' Compensation

For 2001, 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 25). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

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

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 10.10 percent. The 2001 employer pension contribution rate for the County was 9.25 percent of covered payroll, an increase from 6.54 percent in 2000. Also, the law enforcement contribution rate for the County was 12.40 percent of covered payroll, an increase from 11.40 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$1,707,554, \$896,926, and \$1,337,796, respectively; 78 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

B. State Teachers Retirement System

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

For the year ended December 31, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2001, 2000 and 1999 totaled \$65,331, \$38,404, and \$35,658, respectively; 95 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 411,076. The County's actual contributions for 2001 which were used to fund postemployment benefits were \$774,195. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2001, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. State Teachers Retirement System

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$30,946 for 2001.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. POSTEMPLOYMENT BENEFITS

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

14. DEFERRED COMPENSATION PLANS

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

15. CAPITAL LEASES - LESSEE DISCLOSURE

During 2001, and in prior years, the County entered into several capitalized leases. The terms of these agreements provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts, "Capital Outlay" and "Inception of Capital Lease" in the fund making the lease payment. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Machinery and equipment acquired by lease has been capitalized in the General Fixed Assets Account Group at \$121,262, which equals the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments made during 2001 totaled \$17,010.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2001.

Year Ending December 31,	GLTDAG
2002	\$25,544
2003	24,212
2004	23,037
2005	23,037
2006	5,466
Total	101,296
Less: Amount Representing Interest	(12,433)
Present Value of Net Minimum Lease Payments	\$88,863

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

16. SHORT TERM OBLIGATION

On March 1, 2001, the County issued a \$2,000,000 bond anticipation note for the construction of the new Department of Job and Family Services Building. The interest rate on the note is 3.83 percent and the note matures on February 28, 2002. The note is a liability of the Permanent Improvement Fund since this is the fund that received the proceeds. \$1,000,000 will be repaid from the Permanent Improvement Fund in February 2002. The remaining \$1,000,000 is reported in the General Long-Term Obligations Account Group since a \$1,000,000 bond anticipation note renewal was made in February 2002 to be paid in February 2003.

17. LONG-TERM DEBT

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

	Balance at 12/31/00	Increases	Decreases	Balance at 12/31/01
<u>OWDA Loan Payable:</u>				
7.62% - 1992 Meadowlane	\$49,722	\$0	\$3,048	\$46,674
3.83% - Notes Payable	0	1,000,000	0	1,000,000
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	1,062,648	36,523	0	1,099,171
Due to Other Governments	254,132	435,358	254,132	435,358
Obligations Under Capital Lease	54,845	51,028	17,010	88,863
Total Other Long-Term Obligations	1,371,625	522,909	271,142	1,623,392
Total General Long-Term Obligations	\$1,421,347	\$522,909	\$274,190	\$2,670,066

The OWDA loan is a twenty year loan that was issued in 1991 for the purpose of making improvements to Meadowlane Sewer. \$1,000,000 bond anticipation note renewal for the construction of the new Department of Job and Family Service Building was made in February 2002 to be paid in February 2003. This loan will be paid from the Bond Retirement Debt Service Fund, using special assessments. Compensated absences and due to other governments will be paid from the funds from which the employees' salaries are paid. Capital lease obligations will be paid from the General Fund and the Public Assistance Special Revenue Fund.

Changes in the long-term obligations reported in the enterprise funds during 2001 were as follows:

	Balance at 12/31/00	Increases	Decreases	Balance at 12/31/01
<u>Loans Payable:</u>				
0.00% - 1998 OPWC Loan	\$65,625	\$0	\$3,750	\$61,875
7.59% - 1991 OWDA Loan	2,470,563	0	173,896	2,296,667
Total Loans Payable	2,536,188	0	177,646	2,358,542

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

Other Long-Term Obligations:

Compensated Absences Payable	215,954	14,723	0	230,677
Due to Other Governments	111,833	137,516	111,833	137,516
Total Other Long-Term Obligations	<u>327,787</u>	<u>152,239</u>	<u>111,833</u>	<u>368,193</u>
Total Enterprise Long-Term Obligations	<u>\$2,863,975</u>	<u>\$152,239</u>	<u>\$289,479</u>	<u>\$2,726,735</u>

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

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2001, are an overall debt margin of \$20,656,958 and an unvoted debt margin of \$7,662,783. The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

Year	General Obligation OWDA Loan Payable	Enterprise Fund Loans		Total
		OPWC Loan	OWDA Loan	
2002	\$3,418	\$1,875	\$180,706	\$185,999
2003	6,837	3,750	361,412	371,999
2004	6,837	3,750	361,412	371,999
2005	6,837	3,750	361,412	371,999
2006	6,837	3,750	361,412	371,999
2007-2011	34,184	18,750	1,626,352	1,679,286
2012-2016	3,418	18,750	0	22,168
2017-2018	0	7,500	0	7,500
Total	<u>\$68,368</u>	<u>\$61,875</u>	<u>\$3,252,706</u>	<u>\$3,382,949</u>

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,610,000 outstanding at December 31, 2001, 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 \$43,375,000 outstanding at December 31, 2001. During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,735,000 outstanding at December 31, 2001. 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.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM DEBT (Continued)

The County issued hospital revenue bonds in 1992, 1996, and 1997 with the principal amount of \$9,405,000, \$3,533,861, and \$1,837,230 outstanding, respectively, at December 31, 2001. 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.

18. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	Due from Other Funds	Due to Other Funds	Interfund Receivable	Interfund Payable	Advances Receivable	Advances Payable
General Fund	\$810,196	\$23,777	\$6,578	\$60,500	\$105,176	\$0
<u>Special Revenue Funds:</u>						
Dog and Kennel Fund	0	110	0	0	0	0
Public Assistance Fund	0	8,182	0	0	0	0
Real Estate Assessment Fund	0	10	0	0	0	0
Auto License and Gas Tax Fund	7,412	0	0	0	0	0
Child Support Enforcement	0	6,458	0	0	0	0
<u>Agency Fund</u>						
Ditch Maintenance Fund	0	0	0	1,577	0	0
MRDD Fund	25,210	3,258	17,000	0	0	0
Children Services Fund	305	0	0	0	0	0
Ohio Department of Education	0	0	0	7,000	0	0
<u>Fund</u>						
ODOT Grant Fund	5,172	388	0	0	0	0
Community Corrections Grant	0	0	0	5,000	0	0
<u>Fund</u>						
Recycle Ohio Fund	0	0	0	8,490	0	0
MRS Daycare Fund	352	0	0	10,000	0	0
Care and Custody Grant	0	15	0	0	0	0
Total Special Revenue Funds	38,451	18,421	17,000	32,067	0	0
<u>Capital Projects Funds:</u>						
Clayton Ditch Construction Fund	0	0	0	0	0	16,413
Kies Ditch Construction Fund	0	0	0	0	0	57,850
King-Elsass Ditch Construction	0	0	0	0	0	8,747
<u>Fund</u>						
Martin Ditch Construction Fund	0	0	0	0	0	74,212
Watergate Ditch Construction	0	0	0	0	0	5,901
<u>Fund</u>						
Mill Branch Ditch Construction	0	0	0	0	0	15,292
<u>Fund</u>						
Permanent Improvement Fund	0	0	250,157	0	74,212	0
Rose Ditch Construction Fund	0	0	0	0	0	973
Total Capital Projects Funds	0	0	250,157	0	74,212	179,388

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

18. INTERFUND TRANSACTIONS (Continued)

<u>Enterprise Funds:</u>						
Landfill Fund	0	0	8,490	0	0	0
Fair Haven Home Fund	19,323	1,311	0	0	0	0
Sewer Fund	0	47	0	189,658	0	0
Recycling Center Fund	28	0	0	0	0	0
Total Enterprise Funds	<u>19,351</u>	<u>1,358</u>	<u>8,490</u>	<u>189,658</u>	<u>0</u>	<u>0</u>
<u>Agency Funds:</u>						
Health Fund	3,255	0	0	0	0	0
Undivided Tax Fund	0	49,004	0	0	0	0
Undivided Income Tax Fund	0	778,693	0	0	0	0
Total Agency Funds	<u>3,255</u>	<u>827,697</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Funds	<u>\$871,253</u>	<u>\$871,253</u>	<u>\$282,225</u>	<u>\$282,225</u>	<u>\$179,388</u>	<u>\$179,388</u>

19. SEGMENT INFORMATION

The County's enterprise funds account for the collection and handling of recyclable materials, the county home, the provision of sewer services, and the recycling center. Key financial information as of and for the year ended December 31, 2001, for each enterprise fund is as follows:

	Fair Haven				
	Landfill	Home	Sewer	Recycling	Total
Operating Revenues	\$154,435	\$4,872,84	\$509,989	\$181,173	\$5,718,439
Depreciation Expense	15,446	90,766	199,988	29,472	335,672
Operating Loss	(28,079)	(224,065)	(363,382)	(57,918)	(673,444)
Interest Income	0	0	0	198	198
Capital Donations from Governmental Funds	1,322	2,494	0	27,208	31,024
Loss on Disposal of Fixed Assets	0	(3,336)	0	0	(3,336)
Interest and Fiscal Charges	0	0	(187,516)	0	(187,516)
Operating Transfers - In	5,000	0	1,237,431	0	1,242,431
Net Income (Loss)	(21,757)	(224,907)	686,533	(30,512)	409,357
Fixed Asset Additions	2,828	56,148	21,276	53,426	133,678
Fixed Asset Deletions	0	39,234	572	0	39,806
Net Working Capital	80,872	308,405	1,155,721	58,978	1,603,976
Total Assets	469,772	2,741,408	8,656,867	731,649	12,599,696

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

19. SEGMENT INFORMATION (Continued)

Long-Term Absences	Compensated					
Payable		0	175,146	25,024	8,636	208,806
Long-Term Loans Payable		0	0	2,263,120	0	2,263,120
Total Fund Equity		469,676	2,193,937	6,032,714	710,837	9,407,164
Total Encumbrances at December 31, 2001		0	49,537	40,259	3,242	93,038

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2001, the County had contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/01
Shelby Connection	Computer Computers	\$5,442	\$0	\$5,442
City of Sidney	Courthouse Storm Sewers	94,831	0	94,831
Floyd Browne Associates	Engineering for Bridge	22,220	10,443	11,777
Burgess and Niple	Great Miami Bridge Replacement	154,900	46,470	108,430
Choice One Engineering	Bridge Design	71,093	28,529	42,564
Choice One Engineering	Engineering for Bridge		8,163	6,732
		14,895		
Eck Refrigeration	8000 CTS Monitor for Boilers	12,000	0	12,000
Jerry's Service	Installation of furnace	7,800	0	7,800
Brumbaugh Construction	Social Services Building	1,550,100	1,505,600	44,500
Regal Plumbing and Heating	Social Services Building	394,780	385,322	9,458
Gast Plumbing and Heating	Social Services Building	74,337	58,083	16,254
Prism Electrical	Social Services Building	298,087	267,904	30,183
Freytag and Associates	Social Services Building	\$161,282	\$143,856	\$17,426
Dayton Power and Light	Social Services Building	15,000	0	15,000
GF Office Furniture	Social Services Building	288,148	273,741	14,407
Central Business Group	Filing System	15,853	0	15,853
Eck Refrigeration	Monitor Boilers	14,500	0	14,500
Nagel Excavating	Horse barns at fairgrounds	12,710	0	12,710
Eck Refrigeration	Jail Chiller Compressor	14,978	0	14,978
Reichert Excavating	C Elliot Ditch	68,237	42,440	25,797
The SMS Group	Software/Hub/Firewall	5,029	0	5,029
The SMS Group	Compaq File Server	7,627	0	7,627
The SMS Group	Computers	7,198	0	7,198
The SMS Group	File Server	6,125	0	6,125
Choice One Engineering	Newport General Plan	18,655	11,193	7,462
Totals		<u>\$3,335,827</u>	<u>\$2,781,744</u>	<u>\$554,083</u>

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

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

A. Measurement Focus and Basis of Accounting

The financial statements that are presented for S and H Products use the governmental model of Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" for non-profit corporations. This component unit is accounted for like an enterprise fund using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. S and H Products operates on a fiscal year which ran from July 1, 2000, to June 30, 2001.

B. Budgetary Basis of Accounting

Budgetary information for the discretely presented component unit is not presented because it does not maintain separate budgetary financial records.

C. Deposits and Investments

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

At year end, the carrying amount of deposits for S and H Products was \$290,929 and the bank balance was \$294,796. Of the bank balance, \$271,192 was covered by federal depository insurance, while \$23,604 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation. There are no statutory guidelines regarding the deposit and investments of funds for the not-for-profit corporation.

During 2001, 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 \$216,676. 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	\$103,285	\$404,320
Investments:		
Certificates of Deposit	187,644	(187,644)
GASB Statement No. 3	<u>\$290,929</u>	<u>\$216,676</u>

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

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

D. Fixed Assets

A summary of S and H Products fixed assets at December 31, 2001, follows:

Leasehold Improvements	\$76,977
Shop and Office Equipment	204,576
Transportation Equipment	<u>236,467</u>
Total	518,020
Less accumulated depreciation	<u>(279,086)</u>
Net Book Value	<u>\$238,934</u>

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

E. Contributed Capital

Contributed capital represents grants restricted for capital construction. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is recorded as a reduction to contributed capital. Depreciation on these assets during fiscal year 2001 was \$11,326.

F. Segment Information

Net working capital for S and H Products was \$120,210. During 2001, S and H Products acquired fixed assets in the amount of \$14,420 and disposed of fixed assets in the amount of \$28,920. Other segment information can be obtained in the combined financial statements.

22. JOINT VENTURES

A. Shelby County Emergency Management Agency

The Shelby County Emergency Management Agency (EMA) is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2001, the County contributed \$114,911 (66 percent) of total revenue for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Tom Cisco, Director, located at 800 Fair Road, Sidney, Ohio 45365.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

22. JOINT VENTURES (Continued)

B. Shelby County Regional Planning Commission

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The County contributed \$58,029 (35 percent) of total revenue during 2001 for the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Gary Bensman, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

23. 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 2001, a tax levy provided \$429,446 (28 percent of total tax revenue) for the operations of the organization.

B. West Central Ohio Network

The West Central Ohio Network (West Con) is a jointly governed organization among Shelby, Darke, Miami, Auglaize, Mercer, Logan, and Union counties. West Con was created to serve as the administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Developmental Disabilities (MRDD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating MRDD Boards. Payments to West Con are limited to the Supported Living funds of each participating county. Shelby County did not make any payments to the West Central Ohio Network during 2001.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

23. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. During 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 2001, Shelby County paid \$10,191 to the District for solid waste fees. Allen County serves as fiscal agent for the District. Complete financial statements can be obtained from the Allen County Treasurer, North Central Ohio Solid Waste Management District, 212 North Elizabeth Street, Suite 301, Lima, Ohio 45801.

24. 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 2001, the County did not have any financial contributions to the operation of the SMHA.

25. INSURANCE PURCHASING 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 an insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by the Pool. These coverages include comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance.

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

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

25. INSURANCE PURCHASING POOLS (Continued)

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

B. Midwest Employee Benefit Consortium

The County participates in the Midwest Employee Benefit Consortium (MEBC), an insurance purchasing 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.

C. 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 2001, the County was required to contribute \$64,677 to the CCAOSC.

26. RELATED PARTY TRANSACTIONS

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

The additional income and related expenses are reflected in the financial statements of the component unit. During 2001, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were \$251,757. In other transactions with Shelby County, S and H Products received \$4,002 from the County for goods and services.

**SHELBY COUNTY
FINANCIAL CONDITION**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

27. 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.

28. SUBSEQUENT EVENT

On February 28, 2002, the County refinanced the bond anticipation note for the construction of the new Department of Job and Family Services building in the amount of \$1,000,000. The interest rate on the note is 2.06 percent. The note is due February 27, 2003.

**SHELBY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

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	\$125,768
	B-E-00-070-1	14.228	400,000
	B-F-00-070-1	14.228	105,000
	B-F-99-070-1	14.228	33,000
	B-F-98-070-1	14.228	27,400
Total Community Development Block Grant			691,168
Home Investment Partnership Program	B-C-99-070-2	14.239	253,293
Total U.S. Department of Housing and Urban Development			944,461
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Victims of Crime Act	N/A	16.575	22,807
Law Enforcement Block Grant	99-LE-LEB-3477	16.592	21,000
Total U.S. Department of Justice			43,807
U.S. DEPARTMENT OF AGRICULTURE			
<i>(Passed Through Area Agency on Aging):</i>			
Food Distribution	N/A	10.550	14,231
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-02	84.027	17,767
	071159-6B-SF-01	84.027	41,183
Total Special Education Grants to States			58,950
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-02	84.173	15,623
	071159-PG-SI-01	84.173	33,639
Total Special Education Preschool Grants			49,262
Total Special Education Cluster			108,212
Special Education Grants for Infants and Families with Disabilities	75-1-03-F-AN-392-2001	84.181	58,431
	75-1-03-F-AN-392-2000	84.181	1,033
Total Special Education Grants for Infants and Families with Disabilities			59,464
Total U.S. Department of Education			167,676
U.S. DEPARTMENT OF LABOR			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Workforce Investment Act	N/A	17.255	276,908
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Passed Through Ohio Department of Transportation):</i>			
Highway Planning and Construction Grant	SHE-CR25A-15.60	20.205	92,125
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed Through Area Agency on Aging):</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	45,418
Title III-C - Special Programs for the Aging	N/A	93.045	77,865
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
Family Preservation and Support Services Grant	N/A	93.556	22,380
Title IV-B - Child Welfare Services State Grants	N/A	93.645	24,980
<i>(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):</i>			
Title XX - Social Services Block Grant	MR-75-FY02	93.667	10,605
	MR-75-FY01	93.667	27,686
Total Title XX - Social Services Block Grant			38,291
Medicaid (Medical Assistance Programs)	7500010-CY01	93.778	154,486
	7500010-CY00	93.778	76,000
Total Medicaid (Medical Assistance Programs)			230,486
Waiver Administration Subsidy	N/A	93.778	600
Total U.S. Department of Health and Human Services			440,020
Total			\$1,979,228

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2001**

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, except expenditures of assistance passed through the Ohio Bureau of Employment Services Job Training Partnership Programs are presented on an accrual basis

NOTE B -- MATCHING REQUIREMENTS

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

NOTE C-- FOOD DISTRIBUTION

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

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

The County has established a revolving loan program to provide low-interest loans to eligible local homeowners for persons from low-moderate income households to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the 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, 2001, the gross amount of loans outstanding under this program were \$944,784.

NOTE E -- WORKFORCE INVESTMENT ACT PROGRAM

Funds that were made available under the JTPA Cluster were used for transition and implementation of the Workforce Investment Act (WIA). Those funds have been shown on the Schedule as WIA expenditures.

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

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

We have audited the accompanying financial statements of Shelby County (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated August 20, 2002, where we noted the County implemented Governmental Accounting Statements No. 33 and 36. We did not audit the financial statements of S&H Products (the component unit), which represents 100 percent of the assets and revenues of the component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2001-60275-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 20, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized, looping flourish at the end.

Jim Petro
Auditor of State

August 20, 2002



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

Compliance

We have audited the compliance of Shelby County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. 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, 2001. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate letter dated August 20, 2002.

Internal Control Over Compliance

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

**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. However, we noted other matter involving the internal controls over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 20, 2002.

This report is intended for the information and use of the audit 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, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

August 20, 2002

**SHELBY COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

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):	Community Development Block Grant: CFDA # 14.228 Home Investment Partnership Program: # CFDA 14.239 Medicaid: CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	2001-60275-001
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Shelby County's approved severance policy states that an employee is to be paid twenty-five percent of their sick leave balance up to a maximum of 240 hours. Donald Wade Sr., a former Sheriff's Deputy, was entitled to twenty-five percent (25%) of his sick leave balance at retirement which was 923.29 hours or 230.82 paid sick leave hours (which amounted to \$4,371.74) for his severance, but was compensated for 240 sick leave hours (which amounted to \$4,545.60) thus amounting in a severance overpayment of \$173.86. This error in severance calculation was made by the payroll clerk in the Sheriff's Department, Lori Wick.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for overpayment of severance payout is hereby issued against Donald Wade Sr., former Sheriff's Deputy, Lori Wick, Sheriff Department Employee, and Midwest Pool Risk Management Agency, Inc., her bonding company, jointly and severally, in the amount of one hundred, seventy-three dollars and eighty-six cents (\$173.86) in favor of the Shelby County General Fund. The finding was repaid, while under audit, as evidenced by receipt #2907.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

FINANCIAL CONDITION
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)
DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid; <i>Explain:</i></u>
2000- 60275-001	County was unable to specifically identify federal revenue and expenditures	Yes	



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SHELBY COUNTY FINANCIAL CONDITION

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2002**