Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION**
**SHELBY COUNTY**

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Mary Taylor, CPA
Auditor of State

# INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Shelby County
129 East Court Street
Sidney, Ohio 45365

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S & H Products, which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit, on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit**,** each major fund, and the aggregate remaining fund information of Shelby County, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Auto License and Gas Tax, and the Board of Mental Retardation and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

July 10, 2009

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED DECEMBER 31, 2008**
**UNAUDITED**

Shelby County's (the County) discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2008.

## Financial Highlights

- The County's total net assets decreased $2,416,971 during 2008. Net assets of governmental activities decreased $2,508,861 (approximately 2 percent). The decrease is due mostly to depreciation on capital assets (largely infrastructure) taken during 2008. The net assets of the business-type activities increased by $91,890 (less than 1 percent).

- The General Fund transfers out equaled $279,988, all of which was to subsidize various programs of the non-major governmental funds.

- Business-type operations showed total operating revenue of $8,432,349 and total operating expenses of $8,486,917 for an operating loss of $54,568. The Recycling Fund and Fair Haven reflected operating gains, but the Sewer Fund had an operating loss. Total business-type unrestricted net assets were $1,235,394. This total includes $576,844 for Fair Haven, $329,561 for Sewer and $328,989 for Recycling.

- Capital assets, net of accumulated depreciation, decreased $2,340,720 for governmental activities. This was due to depreciation expense being higher than the additions to capital assets for the year.

## Using This Annual Financial Report

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

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

## Reporting The County As A Whole

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

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

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

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

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

### Reporting The County's Most Significant Funds

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

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

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

### The County As A Whole

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2008 compared to 2007.

**Table 1**
**Net Assets**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| **Assets** | | | | | | |
| Current and Other Assets | $ 30,870,916 | $ 31,030,154 | $2,056,704 | $1,975,102 | $ 32,927,620 | $33,005,256 |
| Capital Assets | 92,936,071 | 95,276,791 | 10,877,339 | 11,229,666 | 103,813,410 | 106,506,457 |
| Total Assets | 123,806,987 | 126,306,945 | 12,934,043 | 13,204,768 | 136,741,030 | 139,511,713 |
| **Liabilities** | | | | | | |
| Long-Term Liabilities | | | | | | |
| Due within One Year | 456,234 | 306,763 | 221,277 | 214,175 | 677,511 | 520,938 |
| Due in More Than One Year | 2,448,976 | 2,137,411 | 2,866,653 | 3,240,174 | 5,315,629 | 5,377,585 |
| Other Liabilities | 7,801,466 | 8,253,599 | 493,565 | 489,761 | 8,295,031 | 8,743,360 |
| Total Liabilities | 10,706,676 | 10,697,773 | 3,581,495 | 3,944,110 | 14,288,171 | 14,641,883 |
| **Net Assets** | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 91,786,015 | 94,507,121 | 8,117,154 | 8,098,959 | 99,903,169 | 102,606,080 |
| Restricted for: | | | | | | |
| Other Purposes | 16,944,900 | 16,450,509 | | | 16,944,900 | 16,450,509 |
| Debt Service | | 50,360 | | | | 50,360 |
| Capital Outlay | 2,300,669 | 2,619,803 | | | 2,300,669 | 2,619,803 |
| Unrestricted | 2,068,727 | 1,981,379 | 1,235,394 | 1,161,699 | 3,304,121 | 3,143,078 |
| Total Net Assets | $113,100,311 | $115,609,172 | $9,352,548 | $9,260,658 | $122,452,859 | $124,869,830 |

Equity in Pooled Cash and Cash Equivalents of the business-type activities increased due to an increase in the cash balance of the County Home Fund that was due to normal operations of the fund. Cash with Fiscal Agents increased due to an increase in the cash balances at West Central Ohio Network for the benefit of the MRDD Board. Accounts receivable of the governmental activities increased due mostly to an increase in the Clerk of Courts receivables. Accounts receivable of business-type activities decreased due to a decrease in the County Home patient accounts receivable. Due from other governments of the governmental activities decreased due mostly to a decrease in the local government money to be received from the State.

Due from other governments of the business-type activities increased mostly due to an increase in the Medicare and Medicaid receivables at the County Home at year end. Property taxes receivable decreased due to the decrease in personal property taxes receivable because of the phase-out of this tax. Special assessments receivable decreased due to payments received from property owners in 2008 that outpaced the new assessments being levied for the year. Capital assets decreased because of the depreciation and deletions of assets being higher than additions for the year.

Accounts Payable and Contracts Payable decreased due to the timing of bills and payments. Accrued Wages Payable increased due to more days of wages being accrued at year-end. Due to other governments decreased due to the timing of the retirement payments and other miscellaneous payables to other governments. Matured Compensated Absences Payable represents severance payouts due to employees who had retired as of year-end. Long-term liabilities of governmental activities increased from the prior year because the new capital lease for 14 buses in the MRDD fund was only partially offset by the principal payments of the bonds, notes, and loans during 2008. Long-term liabilities of the enterprise funds decreased due to the principal payments on the OWDA loans.

Invested in capital assets, net of related debt, decreased due to depreciation expense for the year being greater than the acquisitions for the year. Net assets restricted for other purposes increased due to revenues that were significantly higher than expenditures in the MRDD fund. Net assets restricted for capital outlay decreased due to the transfer of sales tax revenue monies from the permanent improvement fund to the general fund to help meet expenditures.

Total net assets decreased $2,416,971. Net assets of the County's governmental activities decreased by $2,508,861, with unrestricted net assets increasing $87,348.

The net assets of the County's business-type activities increased by $91,890, while reporting a total operating loss during 2008. The Recycling Fund saw an operating income and an increase in net assets. The Sewer fund had an operating loss and a decrease in net assets. The Fair Haven Fund saw an operating income and an increase in net assets just due to normal operations of the home.

Table 2 shows the changes in net assets for the year ended December 31, 2008, as compared with the year ended December 31, 2007.

**Table 2**
**Changes in Net Assets**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Revenues:** | | | | | | |
| **Program Revenues:** | | | | | | |
| Charges for Services | $6,734,133 | $6,347,501 | $8,390,503 | $8,108,593 | $15,124,636 | $14,456,094 |
| Operating Grants, Contributions and Interest | 14,001,691 | 15,619,096 | | | 14,001,691 | 15,619,096 |
| Capital Grants and Contributions | 7,987 | 69,685 | 41,621 | 380,067 | 49,608 | 449,752 |
| Total Program Revenues | 20,743,811 | 22,036,282 | 8,432,124 | 8,488,660 | 29,175,935 | 30,524,942 |
| General Revenues: | | | | | | |
| Property and Other Taxes | 6,458,294 | 7,221,519 | | | 6,458,294 | 7,221,519 |
| Permissive Sales Tax | 7,567,890 | 8,192,497 | | | 7,567,890 | 8,192,497 |
| Grants and Entitlements | 3,950,583 | 3,314,230 | | | 3,950,583 | 3,314,230 |
| Interest | 770,935 | 1,033,299 | 8 | 45 | 770,943 | 1,033,344 |
| Other | 110,968 | 238,448 | 41,846 | 56,149 | 152,814 | 294,597 |
| Total General Revenues | 18,858,670 | 19,999,993 | 41,854 | 56,194 | 18,900,524 | 20,056,187 |
| Total Revenues | 39,602,481 | 42,036,275 | 8,473,978 | 8,544,854 | 48,076,459 | 50,581,129 |

**Table 2**
**Changes in Net Assets**
**(Continued)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| **Program Expenses:** | | | | | | |
| General Government | | | | | | |
| Legislative and Executive | 5,114,236 | 4,986,451 | | | 5,114,236 | 4,986,451 |
| Judicial | 2,641,575 | 2,818,610 | | | 2,641,575 | 2,818,610 |
| Public Safety | 5,297,338 | 4,975,947 | | | 5,297,338 | 4,975,947 |
| Public Works | 11,012,587 | 10,274,836 | | | 11,012,587 | 10,274,836 |
| Health | 235,995 | 240,963 | | | 235,995 | 240,963 |
| Human Services | 16,905,344 | 16,413,183 | | | 16,905,344 | 16,413,183 |
| Economic Development and Assistance | 218,308 | 296,047 | | | 218,308 | 296,047 |
| Intergovernmental | 418,775 | 435,055 | | | 418,775 | 435,055 |
| Interest and Fiscal Charges | 40,596 | 61,168 | | | 40,596 | 61,168 |
| Fair Haven | | | 7,121,482 | 7,254,825 | 7,121,482 | 7,254,825 |
| Sewer | | | 1,128,796 | 1,049,545 | 1,128,796 | 1,049,545 |
| Recycling | | | 358,398 | 311,972 | 358,398 | 311,972 |
| Total Expenses | 41,884,754 | 40,502,260 | 8,608,676 | 8,616,342 | 50,493,430 | 49,118,602 |
| Increase(Decrease) in Net Assets Before Transfers | (2,282,273) | 1,534,015 | (134,698) | (71,488) | (2,416,971) | 1,462,527 |
| Transfers | (226,588) | (350,000) | 226,588 | 350,000 | | |
| Increase (Decrease) in Net Assets | ($2,508,861) | $1,184,015 | $91,890 | $278,512 | ($2,416,971) | $1,462,527 |

**Governmental Activities**

Operating Grants and grant entitlements are the largest source of revenue for Shelby County. They make up approximately 45 percent of total revenues of governmental activities for 2008. Program specific grants and entitlements made up 78 percent of this and unrestricted grants and entitlements made up 22 percent. The major recipients of the restricted grants and entitlements were the Public Assistance, Auto License and Gas, and MRDD Funds.

Permissive sales tax is the next largest source of revenue for the County. The County received $7,567,890 in 2008 or about 19 percent of total revenues. There was a decrease in sales tax revenue during 2008 due to decreased sales within the County.

The County's direct charges to users of governmental services made up around 17 percent of total governmental revenues for 2008. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges.

Property and other taxes made up about 16 percent of total revenues for 2008. Property tax revenues decreased by about 11 percent from 2007, due to the phasing out of the tangible personal property tax. In 2009, the tax will be entirely phased out.

The remaining three percent of revenue was from interest and miscellaneous revenues.

Human services programs accounted for approximately 40 percent of total expenses for governmental activities. Public works makes up approximately 26 percent of total expenses. Other major program expenses for governmental activities include general government legislative and executive and public safety programs, which each accounted for approximately 12 percent of total expenses.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed over 4.4 million for capital assets. These assets included the purchase of safety and road maintenance equipment and vehicles, as well as bridge replacements and road resurfacing.

**Business-Type Activities**

The net assets for business-type activities increased by $91,890 during 2008. Charges for services were the largest revenue source, accounting for 99 percent of total business-type activities revenues. The remaining 1 percent of revenues was from miscellaneous revenues and interest.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **Total Cost of Services** | **Net Cost of Services** | **Total Cost of Services** | **Net Cost of Services** |
| **Current:** | | | | |
| **General Government:** | | | | |
| Legislative and Executive | $5,114,236 | $2,785,356 | $4,986,451 | $2,661,343 |
| Judicial | 2,641,575 | 1,519,699 | 2,818,610 | 1,939,119 |
| Public Safety | 5,297,338 | 4,434,350 | 4,975,947 | 4,130,315 |
| Public Works | 11,012,587 | 5,839,514 | 10,274,836 | 3,874,403 |
| Health | 235,995 | 112,849 | 240,963 | 111,439 |
| Human Services | 16,905,344 | 6,112,923 | 16,413,183 | 5,379,749 |
| Economic Development and Assistance | 218,308 | (85,505) | 296,047 | (14,518) |
| Intergovernmental | 418,775 | 381,161 | 435,055 | 322,960 |
| Interest and Fiscal Charges | 40,596 | 40,596 | 61,168 | 61,168 |
| Total Expenses | $41,884,754 | $21,140,943 | $40,502,260 | $18,465,978 |

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

Charges for services, operating grants, and capital grants of approximately 52 percent of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 48 percent of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

## The County's Funds

Information about the County's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of $42,203,536 and expenditures of $41,953,786.

The General Fund is the chief operating fund of the County. At the end of the current year, unreserved fund balance of the General Fund was $1,370,685 while total fund balance was $1,448,697, a decrease of $76,894 from the prior year.

The Public Assistance fund balance decreased $80,497. The Auto License and Gas fund balance decreased $21,193. The MRDD fund balance increased $673,111 due to more being received from property taxes and subsidies than was spent during 2008.

The enterprise funds reflect an operating loss for 2008. The Recycling Fund had an operating income of $4,232. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Fair Haven had an operating income of $126,791, due to normal operations of the home. Most of Fair Haven's revenue is based on the census at the home. The timing of receipts and expenditures can cause an operating income or loss to be reflected each year. The Sewer Fund had an operating loss of $185,591. The County Commissioners have set fees with the intention of funding operating cost and debt service, however, depreciation expense, which is not a cash outflow, was $266,490 in 2008.

## Major Funds Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. Before the budget is adopted, the County Commissioners review detailed budget worksheets of each function within the General Fund and then adopts the budget at the fund, department, and object level (i.e., General Fund – Commissioners – salaries, supplies, equipment, contract repairs, travel expenses, maintenance, and other expenses). During 2008, the General Fund had original appropriations of $13,086,878 and final appropriations of $13,286,299. Actual expenditures plus encumbrances for 2008 were $13,088,487.

## Capital Assets And Debt Administration

### Capital Assets

**Table 4**
**Capital Assets, Net of Accumulated Depreciation**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Land | $2,363,513 | $2,363,513 | $458,746 | $458,746 |
| Buildings | 17,543,198 | 18,169,498 | 1,892,581 | 1,970,144 |
| Equipment | 700,475 | 810,341 | 39,182 | 28,704 |
| Furniture and Fixtures | 39,263 | 30,934 | | 2,062 |
| Vehicles | 2,750,655 | 1,769,066 | 57,827 | 91,493 |
| Infrastructure | 69,538,967 | 72,133,439 | 8,429,003 | 8,678,517 |
| Totals | $92,936,071 | $95,276,791 | $10,877,339 | $11,229,666 |

See Note 8 of the notes to the basic financial statements for more detailed capital asset information.

**Debt**

At December 31, 2008, Shelby County had $1,214,170 in long-term governmental debt outstanding, and $2,760,185 in long-term enterprise debt.

**Table 5**
**Outstanding Debt at Year End**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| General Obligation Bonds | $ 374,000 | $748,000 | | |
| Loans Payable | 17,742 | 22,839 | $2,748,603 | $3,130,424 |
| Notes Payable | 46,372 | 72,377 | | |
| Capital Leases | 776,056 | 21,670 | 11,582 | |
| Totals | $1,214,170 | $864,886 | $2,760,185 | $3,130,424 |

The general obligation bond issues will be paid through the Bond Retirement Debt Service Fund with mainly property tax revenue and the general obligation loan will be paid from the Bond Retirement Debt Service Fund with special assessments received within that fund. The general obligation notes will be paid through the Bond Retirement Debt Service Fund with special assessments.

Obligations under governmental activities capital leases will be paid from the General Fund and the MRDD Fund.

The County's overall legal debt margin was $22,301,952 as of December 31, 2008. The more restrictive unvoted legal debt margin was $9,296,381 as of the same date. See Note 14 of the notes to the basic financial statements for more detailed information.

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

**Contacting The County Auditor's Office**

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

## FINANCIAL CONDITION
## SHELBY COUNTY

### STATEMENT OF NET ASSETS
### PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
### DECEMBER 31, 2008

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | S and H Products |
| **Assets** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $15,753,921 | $959,367 | $16,713,288 | |
| Cash and Cash Equivalents in Segregated Accounts | 112,724 | 10,110 | 122,834 | $103,445 |
| Investments in Segregated Accounts | | | | 480,000 |
| Cash and Cash Equivalents with Fiscal Agent | 496,455 | | 496,455 | |
| Accrued Interest Receivable | 150,574 | | 150,574 | 1,707 |
| Permissive Sales Tax Receivable | 1,192,644 | | 1,192,644 | |
| Accounts Receivable (Net, where applicable, of Uncollectible Accounts) | 930,769 | 235,510 | 1,166,279 | 21,194 |
| Inventory of Supplies and Materials | 370,913 | 9,951 | 380,864 | |
| Due from Other Governments | 4,321,518 | 481,896 | 4,803,414 | |
| Property and Other Taxes Receivable | 6,058,475 | | 6,058,475 | |
| Prepaid Items | 104,774 | 4,399 | 109,173 | |
| Internal Balances | (19,211) | 19,211 | | |
| Notes Receivable | 981,531 | | 981,531 | |
| Special Assessments Receivable | 388,824 | 336,260 | 725,084 | |
| Loans Receivable | 22,500 | | 22,500 | |
| Deferred Charges | 4,505 | | 4,505 | |
| Depreciable Capital Assets, Net | 90,572,558 | 10,418,593 | 100,991,151 | 100,829 |
| Capital Assets, Not Being Depreciated | 2,363,513 | 458,746 | 2,822,259 | |
| Total Assets | 123,806,987 | 12,934,043 | 136,741,030 | 707,175 |
| | | | | |
| **Liabilities** | | | | |
| Accounts Payable | 471,016 | 172,655 | 643,671 | 656 |
| Contracts Payable | 187,607 | | 187,607 | |
| Retainage Payable | 14,746 | | 14,746 | |
| Accrued Wages Payable | 500,980 | 200,111 | 701,091 | 4,068 |
| Due to Other Governments | 546,340 | 120,799 | 667,139 | 1,108 |
| Accrued Interest Payable | 1,597 | | 1,597 | |
| Matured Compensated Absences Payable | 32,036 | | 32,036 | |
| Deferred Revenue | 6,047,144 | | 6,047,144 | |
| Long Term Liabilities: | | | | |
| Due Within One Year | 456,234 | 221,277 | 677,511 | |
| Due in More Than One Year | 2,448,976 | 2,866,653 | 5,315,629 | |
| Total Liabilities | 10,706,676 | 3,581,495 | 14,288,171 | 5,832 |
| | | | | |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 91,786,015 | 8,117,154 | 99,903,169 | 100,829 |
| Restricted for: | | | | |
| Other Purposes | 16,944,900 | | 16,944,900 | |
| Capital Outlay | 2,300,669 | | 2,300,669 | |
| Unrestricted | 2,068,727 | 1,235,394 | 3,304,121 | 600,514 |
| Total Net Assets | $113,100,311 | $9,352,548 | $122,452,859 | $701,343 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF ACTIVITIES**
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| **Governmental Activities:** | | | | |
| General Government: | | | | |
| Legislative and Executive | $5,114,236 | $2,303,162 | $25,718 | |
| Judicial | 2,641,575 | 722,593 | 399,283 | |
| Public Safety | 5,297,338 | 654,540 | 208,448 | |
| Public Works | 11,012,587 | 791,840 | 4,373,246 | $7,987 |
| Health | 235,995 | 122,372 | 774 | |
| Human Services | 16,905,344 | 2,102,012 | 8,690,409 | |
| Economic Development and Assistance | 218,308 | | 303,813 | |
| Intergovernmental | 418,775 | 37,614 | | |
| Interest and Fiscal Charges | 40,596 | | | |
| Total Governmental Activities | 41,884,754 | 6,734,133 | 14,001,691 | 7,987 |
| **Business-type Activities:** | | | | |
| Fair Haven | 7,121,482 | 7,237,327 | | |
| Sewer | 1,128,796 | 821,446 | | 41,621 |
| Recycling | 358,398 | 331,730 | | |
| Total Business-type Activities | 8,608,676 | 8,390,503 | | 41,621 |
| Total Primary Government | 50,493,430 | 15,124,636 | 14,001,691 | 49,608 |
| **Component Unit** | | | | |
| S and H Products | $250,708 | $138,785 | $68,613 | $0 |

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

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 25)

Net Assets End of Year

*See accompanying notes to the basic financial statements.*

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | S and H Products |
| ($2,785,356) | | ($2,785,356) | |
| (1,519,699) | | (1,519,699) | |
| (4,434,350) | | (4,434,350) | |
| (5,839,514) | | (5,839,514) | |
| (112,849) | | (112,849) | |
| (6,112,923) | | (6,112,923) | |
| 85,505 | | 85,505 | |
| (381,161) | | (381,161) | |
| (40,596) | | (40,596) | |
| (21,140,943) | | (21,140,943) | |
| | $115,845 | 115,845 | |
| | (265,729) | (265,729) | |
| | (26,668) | (26,668) | |
| | (176,552) | (176,552) | |
| (21,140,943) | (176,552) | (21,317,495) | |
| | | | ($43,310) |
| 1,914,738 | | 1,914,738 | |
| 3,990,403 | | 3,990,403 | |
| 411,675 | | 411,675 | |
| 141,478 | | 141,478 | |
| 4,104,751 | | 4,104,751 | |
| 1,368,250 | | 1,368,250 | |
| 2,094,889 | | 2,094,889 | |
| 3,950,583 | | 3,950,583 | |
| 770,935 | 8 | 770,943 | |
| 22,542 | | 22,542 | |
| | | | (32,066) |
| 88,426 | 41,846 | 130,272 | |
| (226,588) | 226,588 | | |
| 18,632,082 | 268,442 | 18,900,524 | (32,066) |
| (2,508,861) | 91,890 | (2,416,971) | (75,376) |
| 115,609,172 | 9,260,658 | 124,869,830 | 776,719 |
| $113,100,311 | $9,352,548 | $122,452,859 | $701,343 |

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2008**

| | General | Public Assistance | Auto License and Gas | MRDD | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Pooled Cash | | | | | | |
| and Cash Equivalents | $1,115,727 | $295,967 | $4,771,776 | $4,678,140 | $4,892,311 | $15,753,921 |
| Cash and Cash Equivalents | | | | | | |
| in Segregated Accounts | 427 | | | 101,103 | 11,194 | 112,724 |
| Cash and Cash Equivalents | | | | | | |
| with Fiscal Agents | | | | 496,455 | | 496,455 |
| **Receivables:** | | | | | | |
| Property and Other Taxes | 1,913,071 | | 11,111 | 3,896,714 | 237,579 | 6,058,475 |
| Permissive Sales Tax | 595,861 | | 398,163 | | 198,620 | 1,192,644 |
| Accounts (Net, where applicable, | | | | | | |
| of Uncollectible Accounts) | 671,709 | 11,566 | 24,691 | 50,087 | 172,716 | 930,769 |
| Interfund | 18,441 | 146,619 | 9,782 | 3,011 | 230,182 | 408,035 |
| Special Assessments | | | | | 388,824 | 388,824 |
| Accrued Interest | 126,651 | | 23,923 | | - | 150,574 |
| Due from Other Governments | 818,512 | 591 | 2,220,130 | 929,654 | 352,631 | 4,321,518 |
| Prepaid Items | 27,150 | 46,328 | 514 | 8,430 | 22,352 | 104,774 |
| Inventory of Supplies and Materials | 63,755 | 7,373 | 298,048 | 784 | 953 | 370,913 |
| Notes Receivable | | | | | 981,531 | 981,531 |
| Loans Receivable | 22,500 | | | | - | 22,500 |
| Total Assets | 5,373,804 | 508,444 | 7,758,138 | 10,164,378 | 7,488,893 | 31,293,657 |
| | | | | | | |
| **Liabilities and Fund Balances** | | | | | | |
| **Liabilities** | | | | | | |
| Accounts Payable | 143,778 | 184,269 | 65,696 | 14,103 | 63,170 | 471,016 |
| Contracts Payable | | | 169,578 | | 18,029 | 187,607 |
| Retainage Payable | | | 14,746 | | | 14,746 |
| Accrued Wages Payable | 245,561 | 58,102 | 39,512 | 117,314 | 40,491 | 500,980 |
| Due to Other Governments | 206,826 | 101,957 | 35,422 | 102,944 | 99,191 | 546,340 |
| Interfund Payable | 60,140 | 2,600 | 4,985 | 4,531 | 354,990 | 427,246 |
| Matured Compensated Absences Payable | 32,036 | | | | | 32,036 |
| Deferred Revenue | 3,236,766 | 137,094 | 1,548,085 | 4,516,796 | 900,504 | 10,339,245 |
| Total Liabilities | 3,925,107 | 484,022 | 1,878,024 | 4,755,688 | 1,476,375 | 12,519,216 |
| | | | | | | |
| **Fund Balances** | | | | | | |
| Reserved for Encumbrances | 12,825 | 51,045 | 1,235,782 | 20,404 | 107,037 | 1,427,093 |
| Reserved for Advances | 6,543 | | | | 148,048 | 154,591 |
| Reserved for Loans Receivable | 22,500 | | | | - | 22,500 |
| Reserved for Notes Receivable | | | | | 847,544 | 847,544 |
| Reserved for Unclaimed Monies | 36,144 | | | | - | 36,144 |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | 1,370,685 | | | | | 1,370,685 |
| Special Revenue Funds | | (26,623) | 4,644,332 | 5,388,286 | 2,860,576 | 12,866,571 |
| Debt Service Funds | | | | | (6,542) | (6,542) |
| Capital Projects Funds | | | | | 2,055,855 | 2,055,855 |
| Total Fund Balances | 1,448,697 | 24,422 | 5,880,114 | 5,408,690 | 6,012,518 | 18,774,441 |
| Total Liabilities and Fund Balances | $5,373,804 | $508,444 | $7,758,138 | $10,164,378 | $7,488,893 | $31,293,657 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2008**

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $18,774,441 |
| **Amounts reported for governmental activities in the statement of net assets are different because:** | | |
| Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds. | | 92,936,071 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property and Other Taxes | $204,429 | |
| Intergovernmental | 2,858,942 | |
| Accounts Receivable | 759,727 | |
| Special Assessments | 372,373 | |
| Interest | 96,630 | |
| Total | | 4,292,101 |
| Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets but are expended in the funds. | | 4,505 |
| Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| Accrued Interest | (1,597) | |
| General Obligation Bonds | (374,000) | |
| Special Assessment Long-Term Note | (46,372) | |
| OWDA Loan | (17,742) | |
| Capital Leases | (776,056) | |
| Compensated Absences | (1,691,040) | |
| Total | | (2,906,807) |
| Net Assets of Governmental Activities | | $113,100,311 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | General | Public Assistance | Auto License and Gas | MRDD | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property and Other Taxes | $1,904,200 | | $141,478 | $3,965,155 | $413,358 | $6,424,191 |
| Permissive Sales Tax | 4,104,751 | | 2,094,889 | | 1,368,250 | 7,567,890 |
| Intergovernmental | 2,233,151 | $4,588,679 | 4,326,939 | 4,052,433 | 2,581,998 | 17,783,200 |
| Charges for Services | 2,198,376 | 804,151 | 330,184 | 197,255 | 1,617,724 | 5,147,690 |
| Licenses and Permits | 1,885 | | | | 107,741 | 109,626 |
| Fines and Forfeitures | 233,091 | | | | 106,649 | 339,740 |
| Special Assessments | | | | | 322,382 | 322,382 |
| Interest | 769,246 | | 189,538 | | 130 | 958,914 |
| Increase in Fair Value of Investments | 22,542 | | | | | 22,542 |
| Contributions and Donations | | | | 8,991 | | 8,991 |
| Other | 234,257 | 172,513 | 44,833 | 134,190 | 288,754 | 874,547 |
| Total Revenues | 11,701,499 | 5,565,343 | 7,127,861 | 8,358,024 | 6,806,986 | 39,559,713 |
| | | | | | | |
| **Expenditures** | | | | | | |
| **Current:** | | | | | | |
| **General Government:** | | | | | | |
| Legislative and Executive | 3,932,625 | | | | 875,790 | 4,808,415 |
| Judicial | 2,183,233 | | | | 399,550 | 2,582,783 |
| Public Safety | 4,445,826 | | | | 492,726 | 4,938,552 |
| Public Works | 1,007,355 | | 7,187,295 | | 338,866 | 8,533,516 |
| Health | 117,801 | | | | 109,757 | 227,558 |
| Human Services | 682,843 | 5,645,840 | | 8,398,001 | 2,655,192 | 17,381,876 |
| Economic Development/Assistance | | | | | 214,513 | 214,513 |
| Intergovernmental | 418,775 | | | | | 418,775 |
| Capital Outlay | | | | | 323,939 | 323,939 |
| **Debt Service:** | | | | | | |
| Principal Retirement | 8,702 | | | 212,507 | 405,102 | 626,311 |
| Interest and Fiscal Charges | 1,245 | | | | 39,728 | 40,973 |
| Total Expenditures | 12,798,405 | 5,645,840 | 7,187,295 | 8,610,508 | 5,855,163 | 40,097,211 |
| | | | | | | |
| Excess of Revenues Over (Under) Expenditures | (1,096,906) | (80,497) | (59,434) | (252,484) | 951,823 | (537,498) |
| | | | | | | |
| **Other Financing Sources (Uses)** | | | | | | |
| Proceeds from Sale of Capital Assets | | | 38,241 | | | 38,241 |
| Inception of Capital Lease | | | | 975,595 | | 975,595 |
| Transfers - In | 1,300,000 | | | | 329,987 | 1,629,987 |
| Transfers - Out | (279,988) | | | (50,000) | (1,526,587) | (1,856,575) |
| Total Other Financing Sources (Uses) | 1,020,012 | | 38,241 | 925,595 | (1,196,600) | 787,248 |
| | | | | | | |
| Net Change in Fund Balances | (76,894) | (80,497) | (21,193) | 673,111 | (244,777) | 249,750 |
| | | | | | | |
| Fund Balances Beginning of Year | 1,525,591 | 104,919 | 5,901,307 | 4,735,579 | 6,257,295 | 18,524,691 |
| | | | | | | |
| Fund Balances End of Year | $1,448,697 | $24,422 | $5,880,114 | $5,408,690 | $6,012,518 | $18,774,441 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008**

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $249,750 |
| ***Amounts reported for governmental activities in the statement of activities are different because:*** | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital Outlay | $4,475,548 | |
| Depreciation | (6,749,638) | |
| Excess of Capital Outlay over Depreciation Expense | | (2,274,090) |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. In the current year, these amounts consisted of: | | |
| Proceeds from Sale of Assets | (38,241) | |
| Loss on Sale of Assets | (28,389) | |
| | | (66,630) |
| Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of: | | |
| General Obligation Bond Principal Payments | 374,000 | |
| Elliot Ditch Special Assessment Note Principal Payments | 2,820 | |
| Platvoit Ditch Special Assessment Note Principal Payments | 23,185 | |
| OWDA Loan Principal Payments | 5,097 | |
| Capital Lease Principal Payments | 221,209 | |
| | | 626,311 |
| New capital leases are recorded as other financing sources and uses in the funds, but are recorded as long-term obligations in the statement of net assets. | | |
| Inception of Capital Lease | | (975,595) |
| Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets, but are expended in the funds. | | |
| Amoritzation of issuance costs | | (2,253) |
| Some revenues that will not be collected for several months after the County's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year: | | |
| Property and Other Taxes | 37,931 | |
| Intergovernmental | (209,737) | |
| Charges for Services | 41,232 | |
| Fines and Forfeitures | 164,371 | |
| Licenses and Permits | (588) | |
| Special Assessments | (16,053) | |
| Interest | 25,612 | |
| | | 42,768 |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of: | | |
| Decrease in Accrued Interest | 2,630 | |
| Increase in Compensated Absences | (111,752) | |
| | | (109,122) |
| Change in Net Assets of Governmental Activities | | ($2,508,861) |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Property and Other Taxes | $1,959,500 | $1,959,500 | $1,901,405 | ($58,095) |
| Permissive Sales Tax | 4,350,000 | 4,350,000 | 4,132,992 | (217,008) |
| Intergovernmental | 2,190,550 | 2,190,550 | 2,252,859 | 62,309 |
| Charges for Services | 2,624,150 | 2,624,150 | 2,217,825 | (406,325) |
| Licenses and Permits | 2,000 | 2,000 | 1,885 | (115) |
| Fines and Forfeitures | 195,100 | 195,100 | 232,916 | 37,816 |
| Interest | 1,002,500 | 1,002,500 | 805,540 | (196,960) |
| Other | 157,700 | 157,700 | 234,122 | 76,422 |
| Total Revenues | 12,481,500 | 12,481,500 | 11,779,544 | (701,956) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| **General Government:** | | | | |
| Legislative and Executive | 4,027,554 | 3,983,448 | 3,913,167 | 70,281 |
| Judicial | 2,236,605 | 2,263,456 | 2,210,834 | 52,622 |
| Public Safety | 4,326,118 | 4,418,696 | 4,393,742 | 24,954 |
| Public Works | 1,011,726 | 1,045,964 | 1,027,157 | 18,807 |
| Health | 117,564 | 132,735 | 132,412 | 323 |
| Human Services | 676,522 | 691,046 | 673,030 | 18,016 |
| Intergovernmental | 418,775 | 418,775 | 418,775 | |
| Total Expenditures | 12,814,864 | 12,954,120 | 12,769,117 | 185,003 |
| Excess of Revenues Under Expenditures | (333,364) | (472,620) | (989,573) | (516,953) |
| **Other Financing Sources (Uses)** | | | | |
| Advances In | | | 14,195 | 14,195 |
| Advances Out | | (39,382) | (39,382) | |
| Transfers - In | 200,000 | 300,000 | 1,300,000 | 1,000,000 |
| Transfers - Out | (272,014) | (292,797) | (279,988) | 12,809 |
| Total Other Financing Sources (Uses) | (72,014) | (32,179) | 994,825 | 1,027,004 |
| Net Change in Fund Balance | (405,378) | (504,799) | 5,252 | 510,051 |
| Fund Balance Beginning of Year | 617,733 | 617,733 | 617,733 | |
| Prior Year Encumbrances Appropriated | 80,202 | 80,202 | 80,202 | |
| Fund Balance End of Year | $292,557 | $193,136 | $703,187 | $510,051 |

*See accompanying notes to the basic financial statements.*

FINANCIAL CONDITION
SHELBY COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL PUBLIC ASSISTANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Intergovernmental | $5,025,957 | $5,062,658 | $4,726,740 | ($335,918) |
| Charges for Services | 612,500 | 705,524 | 705,077 | (447) |
| Other | 165,300 | 224,761 | 180,088 | (44,673) |
| Total Revenues | 5,803,757 | 5,992,943 | 5,611,905 | (381,038) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Human Services | 5,753,041 | 6,407,482 | 6,012,761 | 394,721 |
| Excess of Revenues Over (Under) Expenditures | 50,716 | (414,539) | (400,856) | 13,683 |
| Fund Balance at Beginning of Year | 120,143 | 120,143 | 120,143 | |
| Prior Year Encumbrances Appropriated | 270,836 | 270,836 | 270,836 | |
| Fund Balance (Deficit) at End of Year | $441,695 | ($23,560) | ($9,877) | $13,683 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**
**IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL**
**AUTO LICENSE AND GAS FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **(Negative)** |
| **Revenues** | | | | |
| Property and Other Taxes | $140,000 | $140,000 | $142,236 | $2,236 |
| Permissive Sales Tax | 2,250,000 | 2,250,000 | 2,112,784 | (137,216) |
| Intergovernmental | 4,415,000 | 4,415,000 | 4,355,276 | (59,724) |
| Charges for Services | 215,000 | 215,000 | 341,261 | 126,261 |
| Interest | 125,000 | 125,000 | 216,317 | 91,317 |
| Other | 62,500 | 62,500 | 42,824 | (19,676) |
| Total Revenues | 7,207,500 | 7,207,500 | 7,210,698 | 3,198 |
| **Expenditures** | | | | |
| Current: | | | | |
| Public Works | 11,726,095 | 11,793,071 | 8,539,956 | 3,253,115 |
| Excess of Revenues Under Expenditures | (4,518,595) | (4,585,571) | (1,329,258) | 3,256,313 |
| Other Financing Sources | | | | |
| Proceeds from Sale of Capital Assets | | | 38,241 | 38,241 |
| Net Change in Fund Balance | (4,518,595) | (4,585,571) | (1,291,017) | 3,294,554 |
| Fund Balance at Beginning of Year | 4,518,595 | 4,518,595 | 4,518,595 | |
| Prior Year Encumbrances Appropriated | 81,199 | 81,199 | 81,199 | |
| Fund Balance at End of Year | $81,199 | $14,223 | $3,308,777 | $3,294,554 |

*See accompanying notes to the basic financial statements.*

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES FUND (MRDD)
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues** | | | | |
| Property and Other Taxes | $4,736,488 | $3,963,430 | $3,963,430 | |
| Intergovernmental | 2,903,967 | 3,389,392 | 3,420,175 | $30,783 |
| Charges for Services | 30,000 | 75,564 | 55,365 | (20,199) |
| Other | 358,120 | 306,327 | 96,339 | (209,988) |
| Total Revenues | 8,028,575 | 7,734,713 | 7,535,309 | (199,404) |
| **Expenditures** | | | | |
| **Current:** | | | | |
| Human Services | 7,224,979 | 7,545,603 | 7,075,420 | 470,183 |
| Excess of Revenues Over Expenditures | 803,596 | 189,110 | 459,889 | 270,779 |
| **Other Financing Uses** | | | | |
| Transfers - Out | (763,980) | (763,980) | (50,000) | 713,980 |
| Net Change in Fund Balance | 39,616 | (574,870) | 409,889 | 984,759 |
| Fund Balance at Beginning of Year | 4,000,743 | 4,000,743 | 4,000,743 | |
| Prior Year Encumbrances Appropriated | 112,789 | 112,789 | 112,789 | |
| Fund Balance at End of Year | $4,153,148 | $3,538,662 | $4,523,421 | $984,759 |

*See accompanying notes to the basic financial statements.*

## STATEMENT OF FUND NET ASSETS
## ENTERPRISE FUNDS
## DECEMBER 31, 2008

| | Fair Haven | Sewer | Other Business-Type Activities | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets:** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $600,736 | $29,569 | $329,062 | $959,367 |
| Cash and Cash Equivalents in Segregated Accounts | 10,110 | | | 10,110 |
| Accounts Receivable | 149,576 | 56,809 | 29,125 | 235,510 |
| Inventory of Supplies and Materials | 7,923 | | 2,028 | 9,951 |
| Due from Other Governments | 481,896 | | | 481,896 |
| Prepaid Items | 2,605 | 1,794 | | 4,399 |
| Interfund Receivable | 41,051 | | 94 | 41,145 |
| Special Assessments Receivable | | 187,327 | | 187,327 |
| Total Current Assets | 1,293,897 | 275,499 | 360,309 | 1,929,705 |
| **Non-current Assets:** | | | | |
| Special Assessments Receivable - net of current portion | | 148,933 | | 148,933 |
| Non-Depreciable Capital Assets | 17,031 | 390,177 | 51,538 | 458,746 |
| Depreciable Capital Assets, Net | 1,595,790 | 8,674,110 | 148,693 | 10,418,593 |
| Total Noncurrent Assets | 1,612,821 | 9,213,220 | 200,231 | 11,026,272 |
| Total Assets | 2,906,718 | 9,488,719 | 560,540 | 12,955,977 |
| **Liabilities** | | | | |
| **Current Liabilities:** | | | | |
| Accounts Payable | 146,237 | 23,091 | 3,327 | 172,655 |
| Accrued Wages Payable | 188,407 | 6,981 | 4,723 | 200,111 |
| Due to Other Governments | 110,194 | 6,244 | 4,361 | 120,799 |
| Interfund Payable | 62 | 21,872 | | 21,934 |
| Compensated Absences Payable | 10,719 | 4,954 | | 15,673 |
| Capital Leases Payable | 2,895 | | | 2,895 |
| OPWC Loans Payable | | 1,875 | | 1,875 |
| OWDA Loans Payable | | 200,834 | | 200,834 |
| Total Current Liabilities | 458,514 | 265,851 | 12,411 | 736,776 |
| **Long-Term Liabilities:** | | | | |
| Compensated Absences Payable - net of current portion | 261,434 | 31,729 | 18,909 | 312,072 |
| Capital Leases Payable - net of current portion | 8,687 | | | 8,687 |
| OPWC Loans Payable - net of current portion | | 33,750 | | 33,750 |
| OWDA Loans Payable - net of current portion | | 2,512,144 | | 2,512,144 |
| Total Long-Term Liabilities | 270,121 | 2,577,623 | 18,909 | 2,866,653 |
| Total Liabilities | 728,635 | 2,843,474 | 31,320 | 3,603,429 |
| **Net Assets** | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,601,239 | 6,315,684 | 200,231 | 8,117,154 |
| Unrestricted | 576,844 | 329,561 | 328,989 | 1,235,394 |
| Total Net Assets | $2,178,083 | $6,645,245 | $529,220 | $9,352,548 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**
**ENTERPRISE FUNDS**
**DECEMBER 31, 2008**

| | Fair Haven | Sewer | Other Business-Type Activities | Total |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Charges for Services | $7,237,327 | $821,446 | $111,167 | $8,169,940 |
| Sales | | | 220,563 | 220,563 |
| Other | 10,946 | | 30,900 | 41,846 |
| Total Operating Revenues | 7,248,273 | 821,446 | 362,630 | 8,432,349 |
| **Operating Expenses** | | | | |
| Personal Services | 5,087,995 | 293,793 | 223,602 | 5,605,390 |
| Contractual Services | 906,508 | 329,442 | 95,537 | 1,331,487 |
| Materials and Supplies | 833,044 | 75,311 | 6,284 | 914,639 |
| Depreciation | 69,917 | 266,490 | 30,397 | 366,804 |
| Other | 224,018 | 42,001 | 2,578 | 268,597 |
| Total Operating Expenses | 7,121,482 | 1,007,037 | 358,398 | 8,486,917 |
| Operating Income (Loss) | 126,791 | (185,591) | 4,232 | (54,568) |
| **Non-Operating Revenues (Expenses)** | | | | |
| Interest | | | 8 | 8 |
| Interest and Fiscal Charges | | (121,759) | | (121,759) |
| Capital Grants | | 41,621 | | 41,621 |
| Total Non-Operating Revenues (Expenses) | | (80,138) | 8 | (80,130) |
| Income (Loss) Before Transfers | 126,791 | (265,729) | 4,240 | (134,698) |
| Transfers In | | 226,588 | | 226,588 |
| Change in Net Assets | 126,791 | (39,141) | 4,240 | 91,890 |
| Net Assets Beginning of Year | 2,051,292 | 6,684,386 | 524,980 | 9,260,658 |
| Net Assets End of Year | $2,178,083 | $6,645,245 | $529,220 | $9,352,548 |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF CASH FLOWS**
**ENTERPRISE FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Fair Haven | Sewer | Other Business-Type Activities | Total |
|---|---|---|---|---|
| **Increase (Decrease) in Cash and Cash Equivalents:** | | | | |
| **Cash Flows from Operating Activities** | | | | |
| Cash Received from Customers and Support | $7,161,682 | $959,850 | $322,266 | $8,443,798 |
| Cash Received from Other Operating Receipts | 10,946 | | 30,900 | 41,846 |
| Cash Payments for Employee Services and Benefits | (5,066,233) | (286,704) | (220,647) | (5,573,584) |
| Cash Payments to Suppliers | (1,723,930) | (402,682) | (102,875) | (2,229,487) |
| Cash Payments for Other Operating Expenses | (227,289) | (42,001) | (2,578) | (271,868) |
| Net Cash Provided by Operating Activities | 155,176 | 228,463 | 27,066 | 410,705 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers - In | | 226,588 | | 226,588 |
| Advances Out | | (45,941) | | (45,941) |
| Net Cash Provided by Noncapital Financing Activities | | 180,647 | | 180,647 |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Lease Principal Payments | (2,896) | | | (2,896) |
| Loan Principal Payments | | (381,821) | | (381,821) |
| Loan Interest Payments | | (121,759) | | (121,759) |
| Net Cash Used for Capital and Related Financing Activities | (2,896) | (503,580) | | (506,476) |
| . | | | | |
| **Cash Flows from Investing Activities** | | | | |
| Interest | | | 8 | 8 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 152,280 | (94,470) | 27,074 | 84,884 |
| Cash and Cash Equivalents Beginning of Year | 458,566 | 124,039 | 301,988 | 884,593 |
| **Cash and Cash Equivalents End of Year** | $610,846 | $29,569 | $329,062 | $969,477 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Operating Income (Loss) | $126,791 | ($185,591) | $4,232 | ($54,568) |
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Depreciation | 69,917 | 266,490 | 30,397 | 366,804 |
| **Changes in Assets and Liabilities:** | | | | |
| (Increase)Decrease in Accounts Receivable | 94,472 | (1,458) | (9,422) | 83,592 |
| (Increase) Decrease in Inventory of Supplies and Materials | (3,735) | 400 | (372) | (3,707) |
| Increase in Due from Other Governments | (152,677) | | | (152,677) |
| (Increase) Decrease in Prepaid Items | 306 | (589) | | (283) |
| Increase in Interfund Receivable | (17,440) | | (42) | (17,482) |
| Decrease in Special Assessments Receivable | | 139,862 | | 139,862 |
| Increase (Decrease) in Accounts Payable | 14,248 | 2,205 | (534) | 15,919 |
| Increase in Accrued Wages | 22,479 | 2,329 | 1,209 | 26,017 |
| Increase (Decrease) in Due to Other Governments | 3,033 | 550 | (377) | 3,206 |
| Increase (Decrease) in Interfund Payable | 32 | (112) | | (80) |
| Increase (Decrease) in Compensated Absences Payable | (2,250) | 4,377 | 1,975 | 4,102 |
| Net Cash Provided by (Used for) Operating Activities | $155,176 | $228,463 | $27,066 | $410,705 |

*See accompanying notes to the basic financial statements.*

## FINANCIAL CONDITION
## SHELBY COUNTY

### STATEMENT OF FIDUCIARY NET ASSETS
### FIDUCIARY FUNDS
### DECEMBER 31, 2008

| | Private Purpose Trust | Agency |
|---|---|---|
| **Assets** | | |
| Equity in Pooled Cash and Cash Equivalents | $33,844 | $2,694,732 |
| Cash and Cash Equivalents in Segregated Accounts | | 522,805 |
| Investments in Segregated Accounts | | 91,209 |
| **Receivables:** | | |
| Property and Other Taxes | | 35,951,028 |
| Accounts (Net, where applicable, of Uncollectible Accounts) | | 180,371 |
| Special Assessments | | 143,086 |
| Accrued Interest | | 1,282 |
| Due from Other Governments | | 3,281,201 |
| Revenue in Lieu of Taxes Receivable | | 98,285 |
| Total Assets | 33,844 | 42,963,999 |
| | | |
| **Liabilities** | | |
| Accounts Payable | 227 | |
| Due to Other Governments | | 40,192,938 |
| Undistributed Monies | | 2,724,816 |
| Deposits Held and Due to Others | | 46,245 |
| Total Liabilities | 227 | $42,963,999 |
| | | |
| Net Assets | | |
| Held in Trust for Pool Participants | $33,617 | |

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**FiIDUCIARY FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| | Private Purpose Trust |
|---|---|
| **Additions:** | |
| Miscellaneous | $34,818 |
| **Deductions:** | |
| Distributions to Participants | 45,522 |
| Change in Net Assets | (10,704) |
| Net Assets Beginning of Year | 44,321 |
| Net Assets End of Year | $33,617 |

*See accompanying notes to the basic financial statements.*

## 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.

### B. Blended Component Unit

The Wilma Valentine Creative Learning Center is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

**The Wilma Valentine Creative Learning Center (WVCLC)** - The WVCLC is a non-profit corporation created to serve as an integrated daycare center for multi-handicapped children ages three through five years. The WVCLC operates exclusively for the benefit of Shelby County. It is governed by the same board of trustees as the Shelby County Board of Mental Retardation and Developmental Disabilities. The Shelby County Board of Mental Retardation and Developmental Disabilities is part of the primary government and the primary government may affect the activities, programs and projects of the WVCLC. It would be misleading to exclude the WVCLC from the financial statements of the primary government. The WVCLC is considered a component unit and blended with the primary government.

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

### C. Discretely Presented Component Unit

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, S and H Products. It is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component unit is presented in Note 17.

**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 MRDD, provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The Shelby County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of S and H Products. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Shelby County, the workshop is reflected as a component unit of Shelby County. Separately issued financial statements can be obtained from S and H Products at 1200 Children's Home Road, Sidney, Ohio 45365.

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

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

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations, a related organization, and insurance pools. The County's joint ventures, are the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), and are presented in Note 18 of the basic financial statements. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility.

The jointly governed organizations of the County, are the Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board), the West Central Ohio Network (WestCON), the North Central Ohio Solid Waste Management District (the District), and are presented in Note 19 of the basic financial statements. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The related organization, the Shelby Metropolitan Housing Authority (SMHA), is presented in Note 20. 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.

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

The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 21 and Note 22. The Pool and the MEBC are risk-sharing pools, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation

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

#### 1. Government-Wide Financial Statements

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

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

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

### 2. Fund Financial Statements

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

### B. Fund Accounting

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

### 1. Governmental Funds

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

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

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

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

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

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose, and for various revenues collected for the repayment of debt.

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

### 2. Proprietary Funds

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

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

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

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

The County also has one nonmajor enterprise fund:

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

### 3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used by the County to account for assets held under a trust agreement for individuals, private organizations or other governments, and are therefore, not available to support the County's own programs. Agency funds are used to report resources held by the County in a purely custodial capacity.

The County's fiduciary funds are a private purpose trust fund and agency funds. The County's private purpose trust fund accounts for donated money used for the purpose of helping foster children. The County's agency funds are primarily established to account for the collection of various taxes, receipts and fees, and to account for funds of the General Health District, Soil Conservation District, Regional Planning Commission, Office of Homeland Security, Park District, Special Emergency Planning, and Family and Children First.

### C. Measurement Focus

### 1. Government-Wide Financial Statements

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

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

### 2. Fund Financial Statements

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

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

### D. Basis of Accounting

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

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

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

Non-exchange revenue transactions in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). On an accrual basis, revenue from permissive sales tax is recognized in the period when the exchange transaction on which the tax is imposed occurs (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (See Note 6), federal and State subsidies, grants, locally levied shared taxes (including gasoline tax), charges for services, fines and forfeitures, and interest.

### F. Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but were levied to finance 2009 operations, have been recorded as deferred revenue. Grants and entitlements received prior to the eligibility requirements being met have also been recorded as deferred revenue.

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

### G. Expenses/Expenditures

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

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

### H. Cash and Cash Equivalents

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

During 2008, the County invested in the following: Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association and First American Treasury Obligation Fund.

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

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

Interest income is distributed to the funds according to statutory requirements. Interest revenue of $769,246 was credited to the General Fund during 2008, which includes $735,736 assigned from other County funds.

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

### I. Receivables and Payables

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

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

### J. Inventory of Supplies and Materials

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

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

Inventory consists of expendable supplies held for consumption.

### K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

### L. Interfund Receivables/Payables

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

### M. Deferred Charges

Deferred charges on the statement of net assets represent bond issuance costs. The issuance costs associated with long-term debt are expended in the funds at the time of issuance but are recorded as an asset on the statement of net assets and amortized over the life of the bonds.

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

### N. Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost, calculated by indexing estimated current cost back to the year of acquisition) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values on the date donated. The County maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

| Description | Estimated Lives |
|---|---|
| Buildings | 40-100 years |
| Equipment | 8-20 years |
| Furniture and Fixtures | 8-20 years |
| Vehicles | 8-15 years |
| Infrastructure | 25-70 years |

In governmental funds, the County's infrastructure system consists of roads, bridges, culverts and a fiber optic network. In the enterprise funds, infrastructure consists of sewer lines.

### O. Compensated Absences

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

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

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

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

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

### P. Accrued Liabilities and Long-Term Obligations

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

### Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs. There were no assets restricted by enabling legislation.

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

### R. Operating Revenues and Expenses

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

### S. Reserves of Fund Balance

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

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

### T. Interfund Transactions

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

### U. Estimates

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

### V. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2008.

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

## 3. BUDGETARY BASIS OF ACCOUNTING

While financial position and results of operations are reported on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Budget Basis) and Actual, presented for the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, and the MRDD Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. Receipt and payment of year-end intrafund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).

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

6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.

8. Non-budgeted activity represents the receipts and disbursements of the Wilma Valentine Creative Learning Center (WVCLC) and the West Central Ohio Partnership (WestCON) activity that was on behalf of the Shelby County Board of MRDD. This activity is included in the revenues and expenditures of the MRDD Fund on a GAAP basis.

9. Inception of capital lease represents the fair value of vehicles acquired under a capital lease during 2008. On a GAAP basis, this is recorded as an other financing source “Inception of Capital Lease”, but it does not represent a cash outflow on a budgetary basis.

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

## 3. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Change in Fund Balance**

| | General | Public Assistance | Auto License and Gas | MRDD |
|---|---|---|---|---|
| GAAP Basis | ($76,894) | ($80,497) | ($ 21,193) | $673,111 |
| **Adjustments:** | | | | |
| Revenue Accruals | 33,515 | 46,689 | 76,535 | 2,569 |
| Expenditure Accruals | 51,832 | (60,219) | 125,896 | 958,269 |
| Unrecorded Cash 2007 | 33,277 | 17 | 9,824 | 39,016 |
| Unrecorded Cash 2008 | (9,996) | (144) | (3,522) | 12,422 |
| Change in Fair Value of Investments 2007 | (217,548) | | | |
| Change in Fair Value of Investments 2008 | 240,090 | | | |
| Prepaid Items | (21,963) | (1,002) | (2,125) | (4,200) |
| Non-Budgeted Activity | | | | (258,111) |
| Inception of Capital Lease | | | | (975,595) |
| Encumbrances | (101,545) | (305,700) | (1,476,432) | (37,521) |
| Agency Fund Cash Allocation – 2007 | 61,007 | | | 104,705 |
| Agency Fund Cash Allocation – 2008 | (61,336) | | | (104,776) |
| Advances | (25,187) | | | |
| Budget Basis | $ 5,252 | ($400,856) | ($1,291,017) | $409,889 |

## 4. DEPOSITS AND INVESTMENTS

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

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

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

1. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

## 4. DEPOSITS AND INVESTMENTS

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;

9. Up to twenty-five percent of the County's average portfolio in either of the following:

   a. commercial paper notes in entities incorporated under the laws Ohio or any other state that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase;

   b. bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days aft purchase;

10. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity.

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

## 4. DEPOSITS AND INVESTMENTS (Continued)

**Cash with Fiscal Agent –** At fiscal year end, the County had $496,455 on deposit with a fiscal agent. This amount is not included in the total amount of deposits reported below. This amount is not part of the internal cash pool and is reported separately on the financial statements as 'Cash with Fiscal Agent".

**Cash on Hand –** At fiscal year end, the County had $19,476 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents".

The following information discloses the risks associated with the County's deposits and investments as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements"* and GASB Statement No. 40, "*Deposit and Investment Risk Disclosures."*

### A. Deposits

At December 31, 2008, the carrying amount of the County's deposits was $8,796,130 and the bank balance was $9,519,394.

**Custodial Credit Risk***:* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2008, $6,143,522 of the government's bank balance of $9,519,394 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the County's name. Also, $3,375,872 was covered by the Federal Deposit Insurance Corporation.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### B. Investments

As of December 31, 2008, the County had the following investments and maturities:

| Investment Type | Carrying/ Fair Value | Maturity Date | |
|---|---|---|---|
| First American Treasury Obligation Fund | $163,921 | various | |
| Federal Home Loan Bank | 2,027,500 | 4/24/09 | |
| Federal Home Loan Bank | 2,053,120 | 7/17/09 | |
| Federal Home Loan Bank | 513,280 | 9/11/09 | |
| Federal Home Loan Bank | 1,029,380 | 11/20/12 | Callable 11/20/09 |
| Federal Home Loan Mortgage Corporation | 2,064,380 | 11/3/09 | |
| Federal Home Loan Mortgage Corporation | 1,004,020 | 5/21/12 | Callable 2/21/09 |
| Federal Home Loan Mortgage Corporation | 2,003,600 | 10/30/13 | Callable 1/30/09 |
| Federal National Mortgage Association | 503,905 | 5/05/10 | |
| Total | $11,363,106 | | |

## 4. DEPOSITS AND INVESTMENTS (Continued)

**Interest Rate Risk*:*** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the County. The County does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk**: The County places no limit on the amount it may invest in any one issuer. 49 percent of the County's investments at December 31, 2008 were in the Federal Home Loan Bank and 45 percent were in the Federal Home Loan Mortgage Corporation.

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County's investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's at December 31, 2008. The County's investment in the First American Treasury Obligation was not rated at December 31, 2008.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

| | Primary Government | |
|---|---|---|
| | Cash and Cash Equivalents/Deposits | Investments |
| GASB Statement No. 9 | $20,583,958 | $ 91,209 |
| Cash on Hand | (19,476) | |
| Cash with Fiscal Agent | (496,455) | |
| Investments: | | |
| Certificate of Deposit | 91,209 | (91,209) |
| Federal Home Loan Bank | (5,623,280) | 5,623,280 |
| Federal Home Loan Mortgage Corporation | (5,072,000) | 5,072,000 |
| Federal National Mortgage Association | (503,905) | 503,905 |
| First American Treasury Obligation Fund | (163,921) | 163,921 |
| GASB Statement No. 3 | $ 8,796,130 | $11,363,106 |

## 5. 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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility) are for 2008 taxes. 2008 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

## 5. PROPERTY TAXES (Continued)

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. 2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. The tangible personal property tax is being phased out over a four-year period, with certain tangible property used in manufacturing immediately exempt from the tax. Tangible personal property is currently assessed at 6.25 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 collected. Accrued property tax receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008, 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 2008 operations. The receivable is therefore offset by deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2008, was $9.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

| Category | Assessed Value | Percent |
|---|---|---|
| Agricultural/Residential Real Property | $676,644,820 | 69.97 |
| Other Real Property | 187,543,840 | 19.39 |
| Tangible Personal Property | 69,385,050 | 7.18 |
| Public Utility Personal Property | 33,464,350 | 3.46 |
| Total Assessed Value | $967,038,060 | 100.00% |

## 6. PERMISSIVE SALES AND USE TAX

The County has levied 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. The first 1 percent was imposed by the County Commissioners, by resolution, for general operations and permanent improvements. The other .5 percent was approved by County voters for road and bridge improvement projects. 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 of Ohio then has five days in which to draw the warrant payable to the County.

## 6. PERMISSIVE SALES AND USE TAX (Continued)

Proceeds of the permissive sales and use tax were credited to the General Fund, the Auto License and Gas Fund and the Permanent Improvement Fund during 2008. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2008. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2008 amounted to $4,104,751 in the General Fund, $2,094,889 in the Auto License and Gas Fund and $1,368,250 in the non-major funds, for a total of $7,567,890.

## 7. RECEIVABLES

Receivables at December 31, 2008, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), interfund, special assessments, accrued interest, intergovernmental receivables arising from grants, entitlements and shared revenues, notes, and loans. The special assessments receivable in the enterprise funds represent amounts that have been assessed to property owners on the tax duplicate for the sewer system. Special assessments expected to be collected in more than one year for the County amount to $148,933 for the Sewer Fund and $60,594 for governmental funds. The County has $58,291 delinquent special assessments at December 31, 2008.

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

| | Juvenile/Probate Court Fines | Clerk of Court Fines | Other Receivables | Total Receivables |
|---|---|---|---|---|
| Receivable | $369,615 | $5,117,951 | $468,601 | $5,956,167 |
| Allowance for Uncollectibles | (217,353) | (4,392,164) | | (4,609,517) |
| Net Accounts Receivable | $152,262 | $725,787 | $468,601 | $1,346,650 |

A summary of intergovernmental receivables follows:

| | |
|---|---|
| **Governmental Activities** | |
| Election Cost Reimbursement | $13,649 |
| Local Government | 611,520 |
| Congregate Site and Home Delivered Meals | 7,332 |
| Miscellaneous Reimbursements | 8,694 |
| Public Defender Reimbursement | 41,060 |
| Personal Property Exemption | 14,281 |
| Homestead and Rollback | 355,791 |
| Motor Vehicle License Tax | 1,029,653 |
| Electric Deregulation | 31,702 |
| Gasoline Tax | 1,121,698 |
| Excess IRP | 68,779 |
| Waiver IV | 770 |
| Miscellaneous Public Assistance Reimbursements | 591 |
| Area Agency on Aging Transportation/Daycare | 3,705 |
| ODE Title VI-B | 51,850 |
| ODE Handicap Pre-School | 31,601 |
| ODE Title V | 144 |
| MRDD Provider Support | 122,711 |
| Title XX | 21,008 |

**7. RECEIVABLES (Continued)**

| | |
|---|---|
| **Governmental Activities (Continued)** | |
| CHIP - HOME | 20,732 |
| CHIP - CDBG | 1,500 |
| CHIP - Block Grant | 71,500 |
| Prisoner Housing | 6,176 |
| ODE Unit Funding | 448,187 |
| ODE Subsidy payments | 33,302 |
| Victims of Crime Assistance Grant | 16,246 |
| Community Corrections Act | 30,422 |
| SVAA Grant | 36,999 |
| Judges Reimbursement | 1,152 |
| Daycare Grant | 42,050 |
| CSEA Underfunded | 76,713 |
| Total Governmental Activities | 4,321,518 |
| **Enterprise Funds** | |
| Medicare Reimbursement | 263,680 |
| Medicaid Reimbursement | 218,216 |
| Total Business-Type Activities | 481,896 |
| **Agency Funds** | |
| Library and Local Government | 811,460 |
| Local Government | 1,273,998 |
| Homestead and Rollback | 52,190 |
| Electric Deregulation | 23,775 |
| Excess IRP | 7,944 |
| Motor Vehicle License Tax | 276,143 |
| Gasoline Tax | 587,332 |
| Personal Property Exemption | 498 |
| Emergency Preparedness Grant | 20,980 |
| Ohio Children's Trust | 9,496 |
| WIC Administration | 64,445 |
| Well Child Direct Care Services | 33,659 |
| Public Health Infrastructure | 55,000 |
| Help Me Grow Grant | 64,281 |
| Total Agency Funds | 3,281,201 |
| Total All Funds | $8,084,615 |

**Notes and Loans Receivable**

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and down payment 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, 2008, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was $981,531. The County has an outstanding loan receivable from the Fair Board in the amount of $22,500. The loan is an interest free loan that was issued in 1997. These amounts include $847,544 and $22,500 which are expected to be collected in more than one year.

## 8. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

| | Restated Balance at 12/31/2007 | Additions | Deletions | Balance at 12/31/2008 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, | | | | |
| **Not Being Depreciated:** | | | | |
| Land | $ 2,363,513 | | | $ 2,363,513 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 27,282,200 | $ 49,999 | | 27,332,199 |
| Equipment | 2,099,048 | 50,395 | ($ 70,476) | 2,078,967 |
| Furniture and Fixtures | 158,035 | 21,001 | | 179,036 |
| Vehicles | 4,624,702 | 1,639,025 | (402,834) | 5,860,893 |
| Infrastructure | 154,154,306 | 2,715,128 | (1,211,862) | 155,657,572 |
| Total Depreciable Capital Assets | 188,318,291 | 4,475,548 | (1,685,172) | 191,108,667 |
| **Less Accumulated Depreciation:** | | | | |
| Buildings | (9,112,702) | (676,299) | | (9,789,001) |
| Equipment | (1,288,707) | (160,261) | 70,476 | (1,378,492) |
| Furniture and Fixtures | (127,101) | (12,672) | | (139,773) |
| Vehicles | (2,855,636) | (609,366) | 354,764 | (3,110,238) |
| Infrastructure | (82,020,867) | (5,291,040) | 1,193,302 | (86,118,605) |
| Total Accumulated Depreciation | (95,405,013) | (6,749,638) | 1,618,542 | (100,536,109) |
| Depreciable Capital Assets, Net | 92,913,278 | (2,274,090) | (66,630) | 90,572,558 |
| Governmental Activities Capital Assets, Net | 95,276,791 | (2,274,090) | (66,630) | 92,936,071 |
| | | | | |
| **Business-Type Activities** | | | | |
| **Capital Assets Not Being Depreciated:** | | | | |
| Land | 458,746 | | | 458,746 |
| **Depreciable Capital Assets:** | | | | |
| Buildings | 3,082,262 | | | 3,082,262 |
| Equipment | 206,718 | 14,478 | (16,390) | 204,806 |
| Furniture and Fixtures | 18,000 | | | 18,000 |
| Vehicles | 587,933 | | (64,493) | 523,440 |
| Infrastructure | 11,175,666 | | | 11,175,666 |
| Total Depreciable Capital Assets | 15,070,579 | 14,478 | (80,883) | 15,004,174 |
| Total Capital Assets At Historical Cost | 15,529,325 | 14,478 | (80,883) | 15,462,920 |
| | | | | |
| **Less Accumulated Depreciation:** | | | | |
| Buildings | (1,112,118) | (77,563) | | (1,189,681) |
| Equipment | (178,014) | (4,000) | 16,390 | (165,624) |
| Furniture and Fixtures | (15,938) | (2,062) | | (18,000) |
| Vehicles | (496,440) | (33,666) | 64,493 | (465,613) |
| Infrastructure | (2,497,149) | (249,514) | | (2,746,663) |
| Total Accumulated Depreciation | (4,299,659) | (366,805) | 80,883 | (4,585,581) |
| Depreciable Capital Assets, Net | 10,770,920 | (352,327) | | 10,418,593 |
| Business-Type Activities Capital Assets, Net | $11,229,666 | ($352,327) | $ 0 | $10,877,339 |

## 8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

| | |
|---|---|
| General Government - Legislative and Executive | $140,853 |
| General Government - Judicial | 50,964 |
| Public Safety | 391,663 |
| Public Works | 5,656,447 |
| Health | 7,106 |
| Human Services | 498,810 |
| Economic Development and Assistance | 3,795 |
| Total Depreciation Expense | $6,749,638 |

## 9. RISK MANAGEMENT

### A. Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2008, 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.

Coverages provided by the insurance pool are as follows:

| | |
|---|---|
| **Liability:** | |
| General Liability | $2,000,000 |
| Public Official Errors and Omissions Liability | 2,000,000 |
| Employee Benefit Liability | 2,000,000 |
| Auto Liability | 2,000,000 |
| Crime | |
| Employee Dishonesty | 500,000 |
| Money and Securities | 500,000 |
| Excess Liability | 5,000,000 |
| Excess Healthcare Professional Liability | 3,000,000 |
| Excess Crime Liability | |
| Employee Dishonesty | 2,000,000 |
| Money and Securities | 25,000 |
| **Property:** | 68,643,000 |
| Flood– separate pool aggregates | 50,000,000 |
| Earthquake – separate pool aggregates | 100,000,000 |
| Boiler and Machinery | 50,000,000 |

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

## 9. RISK MANAGEMENT (Continued)

### B. Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 22). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

### C. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2008, 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 21). 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.

## 10. DEFINED BENEFIT PENSION PLANS

### A. Ohio Public Employees Retirement System

**Plan Description** - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

## 10. DEFINED BENEFIT PENSION PLANS (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

**Funding Policy** – The Ohio Revised code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for 2008 was 7.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 10.40 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were $1,137,148, $1,245,855, $1,368,853, respectively; 90 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were $55,630 made by the County and $39,736 made by the plan members.

### B. State Teachers Retirement System of Ohio

**Plan Description** - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

## 10. DEFINED BENEFIT PENSION PLANS (Continued)

The CP offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age 60; THE DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** - For the year ended December 31, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DBP for the years ended December 31,, 2008, 2007 and 2006 were $100,954, $87,594, and $87,446 respectively; 97 percent has been contributed for the year 2008 and 100 percent for 2007 and 2006. Contributions to the DCP and CP for the year 2008 were $3,264 made by the plan members and $0 by the County.

## 11. POSTEMPLOYMENT BENEFITS

### A. Ohio Public Employees Retirement System (OPERS)

**Plan Description -** OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statements 12 and 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are provided separately in the OPERS financial report, which may be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

## 11. POSTEMPLOYMENT BENEFITS (Continued)

**Funding Policy -** The post employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post employment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 17.40 percent. The OPERS retirement board determines the portion of the employer's contribution that will be set aside for funding post employment benefits. The amount of the employer contributions which was allocated to fund post employment healthcare was 7 percent of covered payroll from January 1, 2008 through December 31, 2008.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage. Active members do not make contributions to the postemployment healthcare plan.

The County's contributions allocated to fund post employment healthcare benefits for the years ended December 31, 2008, 2007, and 2006 were $1,091,524, $794,572, and $651,924, respectively. 90 percent has been contributed for 2008 and 100 percent has been contributed for 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

### B. State Teachers Retirement System of Ohio

**Plan Description** - The County contributes to a cost sharing multiple employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio). For eligible retirees who participated in the DBP or CP pension plans offered by STRS Ohio. Benefits include hospitalization, physician's fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at www.strsoh.org, or by calling (888) 227-7877.

**Funding Policy –** Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For the year 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

The County's contributions for healthcare for the years ended December 31, 2008, 2007 and 2006 were $7,766, $6,738, and $6,727, respectively. The full amount has been contributed for all three years.

## 12. OTHER EMPLOYEE BENEFITS

### A. Deferred Compensation Plans

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

### B. Compensated Absences

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

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

## 13. LEASES

### A. Operating Leases

The County leased a copier for the adult probation department under a non-cancelable-operating lease during 2008. Total costs were $1,354 for the year ended December 31, 2008. The future minimum lease payments for this lease are as follows:

| Year Ending December 31, | |
|---|---|
| 2009 | $1,355 |
| 2010 | 1,354 |
| 2011 | 1,241 |
| Total | $3,950 |

### B. Capital Leases

During 2008, the County entered into a lease for the use of 14 buses for MRDD and the lease of a copier for Fair Haven. The terms of these agreements provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *"Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The new MRDD lease has been recorded as "Other Financing Sources – Inception of Capital Lease" in the basic financial statements for the governmental funds. The new Fair Haven lease is recorded as a liability of the County Home Fund.

## 13. LEASES (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments in 2008 totaled $221,209 in the governmental funds and $2,896 in the enterprise funds.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of $1,056,025, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at December 31, 2008, was $256,444 and the carrying value was $799,581. For business-type activities, capital assets have been capitalized in the amount of $14,478. Accumulated depreciation on these assets at December 31, 2008 was $2,896 and the carrying value was $11,582.

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, 2008.

| Fiscal Year Ending June 30, | Governmental Activities Amounts | Business-Type Activities Amounts |
|---|---|---|
| 2009 | $219,706 | $ 2,895 |
| 2010 | 216,171 | 2,895 |
| 2011 | 215,868 | 2,896 |
| 2012 | 212,507 | 2,896 |
| Total | 864,252 | 11,582 |
| Less: Amount Representing Interest | (88,196) | |
| Present Value of Net Minimum Lease Payments | $776,056 | $11,582 |

## 14. LONG-TERM DEBT OBLIGATIONS

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

| **Notes Payable** | Balance at 12/31/2007 | Increases | Decreases | Balance at 12/31/2008 | Due Within One Year |
|---|---|---|---|---|---|
| 2003 Elliot Ditch Special Assessment Bond Anticipation Notes - 3.25% | $ 2,820 | | $ 2,820 | | |
| 2005 Platvoit Ditch Improvement Special Assessment Note | 69,557 | | 23,185 | $ 46,372 | $ 23,185 |
| Total Notes Payable | 72,377 | | 26,005 | 46,372 | 23,185 |
| **OWDA Loan Payable** | | | | | |
| 1992 Meadowlane - 7.62% | 22,839 | | 5,097 | 17,742 | 2,742 |
| **General Obligation Bonds Payable** | | | | | |
| 2004 MRDD Series A Refunding Bonds - 4.75% | 274,000 | | 137,000 | 137,000 | 67,000 |
| 2004 MRDD Series B Refunding Bonds - 4.75% | 474,000 | | 237,000 | 237,000 | 116,000 |
| Total Bonds Payable | 748,000 | | 374,000 | 374,000 | 183,000 |
| **Other Long Term Obligations** | | | | | |
| Compensated Absences Payable | 1,579,288 | $1,287,670 | 1,175,918 | 1,691,040 | 62,359 |
| Obligations Under Capital Lease | 21,670 | 975,595 | 221,209 | 776,056 | 184,948 |
| Total Other Long Term Obligations | 1,600,958 | 2,263,265 | 1,397,127 | 2,467,096 | 247,307 |
| Total General Long Term Obligations | $2,444,174 | $2,263,265 | $1,802,229 | $2,905,210 | $456,234 |

## 14. LONG-TERM DEBT OBLIGATIONS (Continued)

The Elliot Ditch Special Assessment Bond Anticipation Note was issued on March 18, 2003, in the amount of $14,100. The note was issued at a 3.25 interest rate and reached final maturity on March 18, 2008. The note was repaid from the Bond Retirement Debt Service Fund using special assessments.

The Platvoit Ditch Special Assessment Note was issued on July 12, 2005 in the amount of $115,927. The note was issued at an interest rate of 3.55 percent and will be repaid from the Bond Retirement Debt Service Fund with special assessments. It will reach maturity on July 12, 2010.

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

The MRDD Series A Refunding Bonds were issued on December 1, 2004, in the amount of $689,000 for the purpose of extending the maturity of the prior bonds issued for the purpose of constructing an addition to, and improving, furnishing, equipping, and landscaping the County owned Shelby Hill Early Childhood Center, and improving the County owned Early Intervention Center. The MRDD Series B Refunding Bonds were issued on December 1, 2004, in the amount of $1,194,000 for the purpose of refunding the bonds issued for constructing an addition to, and furnishing, equipping, and landscaping the County owned S and H Products, Plant 2. The bonds are being repaid from the Bond Retirement Debt Service Fund using property tax revenue.

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

Changes in the long-term obligations reported in the enterprise funds during 2008 were as follows:

| | Balance at 12/31/07 | Increases | Decreases | Balance at 12/31/08 | Due Within One Year |
|---|---|---|---|---|---|
| **Loans Payable:** | | | | | |
| 1998 OPWC Loan – 0.00% | $ 39,375 | | $ 3,750 | $ 35,625 | $ 1,875 |
| 1991 OWDA Loan – 7.59% | 938,272 | | 290,197 | 648,075 | 156,111 |
| 2005 OWDA Loan – 3.75% | 1,509,259 | | 55,698 | 1,453,561 | 28,635 |
| 2006 OWDA Loan - 0.00% | 643,518 | | 32,176 | 611,342 | 16,088 |
| Total Loans | 3,130,424 | | 381,821 | 2,748,603 | 202,709 |
| **Other Long-Term Obligations:** | | | | | |
| Compensated Absences Payable | 323,643 | $207,081 | 202,979 | 327,745 | 15,673 |
| Obligations Under Capital Lease | | 14,478 | 2,896 | 11,582 | 2,895 |
| Total Other Long-Term Obligations | 323,643 | 221,559 | 205,875 | 339,327 | 23,517 |
| Total General Long-Term Obligations | $3,454,067 | $221,559 | $587,696 | $3,087,930 | $221,277 |

The OPWC loan is a twenty year loan that was issued in the amount of $75,000 for the purpose of making improvements to the Arrowhead Hills Water System. It is being repaid from the Sewer Enterprise Fund's operating revenues. The first OWDA loan is a twenty year loan that was issued in the amount of $3,659,308 for the purpose of making improvements to the Loramie Sewer District. It is being repaid from special assessments received within the Sewer Enterprise Fund. The second OWDA loan is a twenty year loan in the amount of $1,562,925 for the Fort Loramie Flow Equalization Project. The third OWDA loan is a twenty year loan for the planning and construction of the McCartyville Sewer Collection System. The Fort Loramie Flow Equalization loan and the McCartyville Sewer Collection loan are being repaid from the operating revenues of the Sewer Fund.

## 14. LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2008, are an overall debt margin of $22,301,952 and an unvoted debt margin of $9,296,381.

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

**Governmental Activities**

| | Platvoit Ditch Special Assessment Note | | General Obligation OWDA Loan | | General Obligation Bonds | |
|---|---|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2009 | $23,185 | $1,624 | $ 2,742 | $ 676 | $183,000 | $17,766 |
| 2010 | 23,187 | 802 | 5,694 | 1,143 | 191,000 | 9,074 |
| 2011 | | | 6,128 | 709 | | |
| 2012 | | | 3,178 | 241 | | |
| Totals | $46,372 | $2,426 | $17,742 | $2,769 | $374,000 | $26,840 |

**Business-Type Activities**

| | OWDA Loan #1 | | OWDA Loan #2 | | OWDA Loan #3 | |
|---|---|---|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Principal** | **Interest** | **Principal** | **Interest** |
| 2009 | $156,111 | $24,594 | $ 28,635 | $ 27,254 | $ 16,088 | |
| 2010 | 324,071 | 37,340 | 58,889 | 52,887 | 32,176 | |
| 2011 | 167,893 | 12,814 | 61,119 | 50,659 | 32,176 | |
| 2012 | | | 63,433 | 48,345 | 32,176 | |
| 2013 | | | 65,833 | 45,944 | 32,176 | |
| 2014-2018 | | | 368,485 | 190,401 | 160,879 | |
| 2019-2023 | | | 443,709 | 115,182 | 160,879 | |
| 2024-2028 | | | 363,458 | 27,765 | 144,792 | |
| Totals | $648,075 | $74,748 | $1,453,561 | $558,437 | $611,342 | $0 |

| | OPWC Loan | |
|---|---|---|
| **Year** | **Principal** | **Interest** |
| 2009 | $ 1,875 | |
| 2010 | 3,750 | |
| 2011 | 3,750 | |
| 2012 | 3,750 | |
| 2013 | 3,750 | |
| 2014-2018 | 18,750 | |
| Totals | $35,625 | $0 |

## 14. LONG-TERM DEBT OBLIGATIONS (Continued)

### Conduit Debt

The County issued a health care facilities revenue bond in 1996 with the principal amount of $1,050,000 outstanding at December 31, 2008, 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 $32,955,000 outstanding at December 31, 2008. During 2001, health care facilities revenue bonds were issued with the principal amount of $15,690,000 outstanding at December 31, 2008. During 2002, health care facilities revenue bonds were issued with the principal amount of $44,765,000 outstanding at December 31, 2008. All of these bond issues were for facilities used by the Dorothy Love Retirement Community. The County is not obligated in any way to pay debt charges on the bond from any of its funds, and therefore it has been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

The County issued hospital revenue bonds in 1992, 1996, and 1997 with the principal amount of $6,865,000, $2,242,103, and $1,201,425 outstanding, respectively, at December 31, 2008. 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.

## 15. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2008, consist of the following amounts and resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting records, and (3) payments between funds are made. $6,543 of the General Fund interfund receivable is not expected to be paid within one year, and $148,048 of the non-major governmental funds interfund receivable is not expected to be paid within a year. All other interfund receivables are expected to be paid within one year.

| | Interfold Receivable | | | | | |
|---|---|---|---|---|---|---|
| **Interfold Payable** | **General Fund** | **Public Assistance Fund** | **Auto License/Gas Fund** | **MRDD Fund** | **Non-major Governmental Funds** | **Total** |
| General Fund | | | $4,624 | | $55,500 | $ 60,124 |
| Public Assistance Fund | | | | $2,600 | | 2,600 |
| MRDD Fund | | | 4,515 | | | 4,515 |
| Auto and Gas Fund | $ 4,985 | | | | | 4,985 |
| Non-major Governmental Funds | 13,456 | $146,619 | 127 | 411 | 153,326 | 313,939 |
| Sewer Fund | | | 516 | | 21,356 | 21,872 |
| Total | $18,441 | $146,619 | $9,782 | $3,011 | $230,182 | $408,035 |

The additional amount of interfund payables and interfund receivables is due to enterprise funds. The General Fund had an interfund payable to the Recycling Fund of $16 and the MRDD had an interfund payable to the Recycling Fund of $16. Non-major governmental funds had an interfund payable to the Fair Haven Fund of $41,051. The Fair Haven Fund had an interfund payable to the Recycling Fund of $62.

## 15. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The General Fund had transfers out equal to $279,988, which was to subsidize various programs. The MRDD Fund transferred $50,000 to the Construction Fund for capital items for MRDD. The Permanent Improvement Fund transferred $1,300,000 to the General Fund and $226,588 to the Sewer fund to help cover expenses for 2008.

## 16. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2008, the County had contractual purchase commitments as follows:

| Vendor | Project | Contract Amount | Amount Expended | Balance At 12/31/8 |
|---|---|---|---|---|
| Choice One Engineering | Bridge Projects | $57,737 | ($14,249) | $43,488 |
| Choice One Engineering | Road Widening | 24,910 | (19,225) | 5,685 |
| Hanson Pipe and Precast | Culvert | 9,600 | 0 | 9,600 |
| Brumbaugh Construction | Bridge Project | 1,308,860 | 0 | 1,308,860 |
| Carr Concrete | Bridge Project | 42,972 | 0 | 42,972 |
| Totals | | $1,444,079 | ($33,474) | $1,410,605 |

## 17. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT

### A. Nature of Organization

S and H Products is a non-profit sheltered workshop providing residential, vocational, habilitation and family resource services to mentally retarded and developmentally disabled adults in Shelby County and other counties. S and H Products is primarily funded by the Shelby County Board of MRDD as disclosed in Note 23.

S and H Products is exempt under Internal Revenue Code Section 501(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of S and H Products became subject to social security (FICA) coverage due to the Social Security Amendments of 1983. S and H Products operates on a fiscal year which ran from July 1, 2007, to June 30, 2008.

### B. Classification of Net Assets

Unrestricted net assets are comprised of the amount upon which donors have placed no restriction on expenditure of these assets themselves or their investment income. Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted capital assets are released to unrestricted net assets and are reported in the statement of activities and changes in net assets.

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

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At June 30, 2008, all of the assets of the component unit are unrestricted, except for $100,829 that is invested in capital assets, net of related debt.

### C. Deposits and Investments

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

At fiscal year-end, cash on hand was $250 and the carrying amount of deposits for S and H Products was $292,714 and the bank balance was $303,303.

**Custodial Credit Risk**: Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008, $16,194 of the government’s bank balance of $303,303 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution’s agent but not in the County’s name.

As of June 30, 2008, S and H Products had the following investments with maturities less than one year:

| Investment Type | Carrying Value |
|---|---|
| T Rowe Price Equity Income Fund | $ 40,261 |
| Managers Fremont Bond Fund | 82,930 |
| Fairholme Fund | 28,505 |
| Hussman Strategic Growth Fund | 26,296 |
| Third Avenue Value Fund | 29,579 |
| Dodge and Cox Balanced Fund | 82,910 |
| Total | $290,481 |

**Interest Rate Risk:** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the entity. S and H Products does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *“Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”* A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

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

| | Cash and Cash Equivalents/Deposits | Investments |
|---|---|---|
| GASB Statement No. 9 | $103,445 | $480,000 |
| Cash on Hand | (250) | |
| Investments: | | |
| Certificates of Deposit | 189,519 | (189,519) |
| GASB Statement No. 3 | $292,714 | $290,481 |

**D. Capital Assets**

A summary of S and H Products capital assets at June 30, 2008, follows:

| | |
|---|---|
| Leasehold Improvements | $17,555 |
| Shop and Office Equipment | 154,700 |
| Transportation Equipment | 131,908 |
| Total Capital Assets Being Depreciated | 304,163 |
| Less Accumulated Depreciation | (203,334) |
| Total Capital Assets, Net | $100,829 |

It is the component unit's policy to capitalize all assets in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over an estimated useful life of 25 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to $20,728.

**E. Segment Information**

Net working capital for S and H Products was $410,995. During 2008, S and H Products acquired capital assets in the amount of $31,128. Other segment information can be obtained in the combined financial statements.

**F. Related Party Transactions**

Shelby County provided facilities, equipment, transportation and salaries for administration, implementation, and supervision programs to S and H Products during fiscal year 2008. S and H Products is unable to place a value on the materials and services received from Shelby County, as determined by the Shelby County Board of MRDD.

**18. JOINT VENTURES**

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

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and the 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.

## 18. JOINT VENTURES (Continued)

During 2008, the County contributed $83,400 (31 percent) of total revenue for the operation of the agency. The agency is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The agency is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Mark Burdiss, Director, located at 800 Fair Road, Sidney, Ohio 45365.

### B. Shelby County Regional Planning Commission

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government.

The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2008, the County contributed $12,000 to the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Gary Bensman, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

## 19. 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 2008, a tax levy provided $512,814 (24 percent of total tax revenue) for the operations of the organization.

## 19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

### B. West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Allen, Shelby, Darke, Miami, Auglaize, Mercer, Logan, and Union counties. WestCON was created to serve as an 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 WestCON.

The Board consists of one delegate, who is the Superintendent, from each of the participating MRDD Boards. During 2008, the County allocated payments to WestCON were $463,388.

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

The North Central Ohio Solid Waste Management District (the District) is a jointly governed organization among Shelby, Allen, Champaign, Hardin, Marion, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations.

In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. During 2008, Shelby County made no payments to the District for solid waste fees. Allen County serves as fiscal agent for the District. Complete financial statements can be obtained from the District, Allen County, Ohio.

## 20. 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 2008, the County did not have any financial contributions to the operation of the SMHA.

## 21. INSURANCE POOLS

### The County Commissioners' Association of Ohio Service Corporation

The County participates 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 2008, the County did not have any financial contributions to the operation of the CCAOSC.

## 22. RISK SHARING POOLS

### Mid West Pool Risk Management Agency, Inc.

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

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

### Midwest Employee Benefit Consortium

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

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

## 23. RELATED PARTY TRANSACTIONS

### A. S and H Products

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

In 2008, the County was unable to establish a value for the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs.

### B. Residential Services Support, Inc.

Shelby County Board of Mental Retardation/Developmental Disabilities (MRDD) has entered into a contractual agreement with Residential Services Support, Inc (RSSI), a non-profit organization, to provide housing for persons with mental retardation and other developmental disabilities. Shelby County MRDD receives Community Capital Assistance funding through the State of Ohio for purchase, renovation, and construction of facilities for housing of individuals served through MRDD programs. The MRDD provides RSSI with the awarded community capital assistance funding in order for RSSI to secure a property for purchase. MRDD and RSSI staff mutually agrees on the monthly rent the occupants will make directly to RSSI. RSSI is responsible for all upkeep of the purchased properties. The property deed and insurance is held solely by RSSI. The MRDD co-signs for any mortgage necessary to cover the difference between the grant award and the purchase price of the property.

As of December 31, 2008, RSSI managed seven properties on behalf of Shelby County MRDD. The total amount of Community Capital Assistance funding passed through to RSSI during 2008 was $96,026. The total outstanding mortgage of all properties held by RSSI on behalf of the MRDD as of December 31, 2008 is $308,658. MRDD is legally obligated to pay the debt of RSSI should they be unable to. The likelihood of default of the debt by RSSI is considered remote and therefore, no liability is reflected on the County's financial statements at December 31, 2008.

## 24. 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.

## 25. RESTATEMENT OF NET ASSETS AND CHANGE IN ACCOUNTING PRINCIPLE

Net assets of governmental activities were restated $4,416 at December 31, 2007, from $115,613,588 to $115,609,172 for errors in the infrastructure calculations in the prior year.

For 2008, the County has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".* The implementation of this statement had no effect on the financial statements as previously reported.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED DECEMBER 31, 2008**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|---|---|---|---|
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | | |
| *(Passed Through Ohio Department of Development):* | | | |
| Community Development Block Grants | B-C-05-070-1 | 14.228 | $8,082 |
| | B-C-07-070-1 | | 15,633 |
| | B-F-07-070-1 | | 12,500 |
| | | | 36,215 |
| HOME Investment Partnerships Program | B-C-05-070-2 | 14.239 | 73,336 |
| | B-C-07-070-2 | | 145,725 |
| | | | 219,061 |
| HOME Loan Repayments Reloaned | | 14.239 | 21,303 |
| Total Home Investment Partnership Program | | | 240,364 |
| Total U.S. Department of Housing and Urban Development | | | **276,579** |
| **U.S. DEPARTMENT OF JUSTICE** | | | |
| *(Passed Through Ohio Department of Criminal Justice):* | | | |
| Crime Victim Assistance | N/A | 16.575 | 23,459 |
| Total U.S. Department of Justice | | | 23,459 |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| *(Passed Through Ohio Department of Education):* | | | |
| Special Education Cluster: | | | |
| Special Education_Grants to States | 071159-6B-SF-08P | 84.027 | 55,065 |
| Total Special Education_Grants to States | | | 55,065 |
| Special Education_Preschool Grants | 071159-PG-SI-08P | 84.173 | 42,265 |
| | 071159-PG-SI-09P | | 17,388 |
| | 071159-PGD-106 | | 6,000 |
| Total Special Education_Preschool Grants | | | 65,653 |
| Total Special Education Cluster | | | 120,718 |
| State Grants for Innovative Programs | 071159-C2-S1-2008 | 84.298 | 372 |
| Total U.S. Department of Education | | | 121,090 |
| **U.S. DEPARTMENT OF LABOR** | | | |
| *(Passed Through Ohio Department of Job and Family Services):* | | | |
| Reed Act (Workforce Services) | N/A | 17.225 | 6,311 |
| Workforce Investment Act Cluster | | | |
| Workforce Investment Act-Adult Program | N/A | 17.258 | 95,347 |
| Workforce Investment Act-Adult Program - Administrative | | | 1,630 |
| Workforce Investment Act-Adult Program - Total | | | 96,977 |
| Workforce Investment Act-Youth Activities | N/A | 17.259 | 63,001 |
| Workforce Investment Act-Youth Activities - Administrative | | | 871 |
| Workforce Investment Act-Youth Activities - Total | | | 63,872 |

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**
**FOR THE YEAR ENDED DECEMBER 31, 2008**
**(Continued)**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|---|---|---|---|
| Workforce Investment Act-Dislocated Workers | N/A | 17.260 | 118,850 |
| Workforce Investment Act-Career Advancement | | | 19,989 |
| Workforce Investment Act - Workkeys | | | 4,290 |
| Workforce Investment Act-Dislocated Workers - Administrative | | | 2,584 |
| Workforce Investment Act-Dislocated Workers - Total | | | 145,713 |
| Total Workforce Investment Act Cluster | | | 306,562 |
| Total U.S. Department of Labor | | | **312,873** |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| *(Passed Through Ohio Department of Job and Family Services)* | | | |
| Promoting Safe and Stable Families | N/A | 93.556 | 42,224 |
| Child Welfare Services_State Grants | N/A | 93.645 | 64,012 |
| Chaffee Foster Care Independence Program | N/A | 93.674 | 9,373 |
| *(Passed Through Area Agency on Aging):* | | | |
| Special Programs for the Aging - Title III-B - Grants for Supportive Services and Senior Centers | N/A | 93.044 | 37,582 |
| Special Programs for the Aging - Title III-C - Nutrition Services | N/A | 93.045 | 68,959 |
| Nutrition Services Incentive Program | N/A | 93.053 | 13,409 |
| *(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):* | | | |
| Social Services Block Grant | MR-75-FY08 | 93.667 | 30,439 |
| | MR-75-FY09 | | 20,192 |
| Total Social Services Block Grant | | | 50,631 |
| State Children's Insurance Program - Targeted Case | N/A | 93.767 | 1,252 |
| Medical Assistance Program - Targeted Case Management | 7500010-CY07 | 93.778 | 2,698 |
| | 7500010-CY08 | | 117,406 |
| Total Medical Assistance Program - Targeted Case Management | | | 120,104 |
| Medical Assistance Program - Waiver Administration | 7500010-CY07 | 93.778 | 2,944 |
| | 7500010-CY08 | 93.778 | 289,649 |
| | 7500010-CY09 | 93.778 | 40,836 |
| Total Medical Assistance Program - Waiver Administration | | | 333,429 |
| Total Medical Assistance Programs | | | 453,533 |
| *(Passed through the Ohio Secretary of State)* | | | |
| Voting Access for Individuals with Disabilities - Grants to States | | 93.617 | 4,222 |
| Total U.S. Department of Health and Human Services | | | 745,197 |
| Total Federal Assistance | | | $1,479,198 |

*See accompanying notes to the Schedule of Federal Financial Assistance.*

## FINANCIAL CONDITION
## SHELBY COUNTY

### NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
### FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B— SUBRECIPIENTS**

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

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

**NOTE C— HOME INVESTMENT PARTNERSHIP PROGRAM REVOLVING LOAN PROGRAM**

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans as reported in the amount of $21,303 on the federal schedule.

Activity in the HOME revolving loan fund during 2008 is as follows:

| Revolving Loans | Loans Receivable | Cash Balance |
|---|---|---|
| Beginning Balances | $935,840 | $158,904 |
| Loan Repayment Receipts | ( 11,163) | 11,163 |
| Interest on Bank Account | | 130 |
| Declining Balance Loan Forgiveness | (117,488) | |
| Loan Proceeds | | 153,690 |
| Loan Disbursements | 174,342 | (174,342) |
| Administration | | (651) |
| Advance to another County Fund | | (20,000) |
| Ending Balances | $981,531 | $128,894 |

These loans are collateralized by mortgages on the properties.

**NOTE D -- MATCHING REQUIREMENTS**

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

**NOTE E – COMMINGLING**

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

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Mary Taylor, CPA
Auditor of State

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

Financial Condition
Shelby County
129 East Court Street
Sidney, Ohio 45365

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other Auditors audited the financial statements of S and H Products (discretely presented component unit) as described in our opinion on the County's financial statements. This report does not include the results of the other Auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the County's management in a separate letter dated July 10, 2009.

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www.auditor.state.oh.us

**Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the County's management in a separate letter dated July 10, 2009.

We intend this report solely for the information and use of the fiscal report review committee, management, County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

July 10, 2009

Mary Taylor, CPA
Auditor of State

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

Financial Condition
Shelby County
129 East Court Street
Sidney, Ohio 45365

To the Board of County Commissioners:

**Compliance**

We have audited the compliance of Shelby County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in finding 2008-001 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applying to its Workforce Investment Act. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2008.

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**Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2008-001 described in the accompanying schedule of findings to be a material weakness.

We also noted matters involving the internal control over federal noncompliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated July 10, 2009.

The County's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

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

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

July 10, 2009

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**SCHEDULE OF FINDINGS**
**OMB CIRCULAR A -133 § .505**
**DECEMBER 31, 2008**

## 1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

## 3. FINDINGS FOR FEDERAL AWARDS

| | |
|---|---|
| **Finding Number** | 2008-001 |
| **CFDA Title and Number** | Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.260 |
| **Federal Agency** | U.S Department of Labor |
| **Pass-Through Agency** | Ohio Department of Job and Family Services |

**Material Noncompliance/Material Weakness – Cash Management**

**29 CFR 97.20 (b)(7)** states that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter of credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

**29 CFR 97.21 (b)** provides that methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

Therefore, cash advances shall be limited to the minimum amount needed and be timed to be in accordance with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the State for direct program costs and the proportionate share of any allowable indirect costs.

Ohio Department of Job and Family Services has established a 10 day disbursement cycle. During the period of January through December 2008 the County Department of Job and Family Services had cash on hand exceeding the average daily need for the Workforce Investment Act (WIA) program as follows:

| Month | Monthly Balance | 10-day Average Need | Excess Amount | Percent of Grant Award |
|---|---|---|---|---|
| January | $ 20,986 | $ 1,140 | $ 19,846 | 4.72% |
| February | 14,378 | 13,030 | 1,348 | 0.32% |
| March | 7,606 | 5,060 | 2,546 | 0.60% |
| April | 14,045 | 10,460 | 3,585 | 0.85% |
| May | 19,019 | 13,930 | 5,089 | 1.21% |
| June | 8,097 | 1,070 | 7,027 | 1.67% |
| July | 50,504 | 9,780 | 40,724 | 9.68% |
| August | 65,269 | 6,010 | 59,259 | 14.08% |
| September | 51,159 | 3,670 | 47,489 | 11.28% |
| October | 41,497 | 17,670 | 23,827 | 5.66% |
| November | 17,322 | 11,940 | 5,382 | 1.28% |
| December | 75,997 | 9,310 | 66,687 | 15.85% |

During the months of July, August, September, and December 2008 the excess cash on hand held in the grant fund represented in excess of 11 percent of the total 2008 WIA grant award of $420,850. The failure of the department to monitor expenditures and cash on hand resulted in significant amounts of program cash on hand, contrary to the federal program requirement.

The Department should establish procedures to determine the actual expenditures of the grant and ensure that cash is released as received. The Department should also review grant cash balances monthly to ensure that 10 days average daily need is not exceeded.

**Client Response:**

Cash management within the WIA fund has been an ongoing concern as the Department was also cited for this in the 2007 county audit. The Department feels it is important to note that the highest three month average daily cash on hand improved from 35 percent to 11 percent of the total federal award. This reduction is evidence that the Department has targeted the issue and that the cash monitoring procedures and tracking mechanisms implemented as a response to that audit have had a substantial effect on the agency's WIA cash management.

Shelby County is a member of Ohio WIA Area 7, a consortium of over forty counties that operates through the Area 7 Fiscal Office in Montgomery County. Monthly financial expenditures are sent to the fiscal office, which in turn distributes each county a draw based upon the information contained in the financial report. This process results in relatively large monthly draws based on financial reporting rather than draws being issued weekly based upon county needs. This leaves counties with little control over their cash draw totals and often results in counties receiving more or less than their actual cash needs for that period. In December of 2008, SCDJFS received a cash draw of $115,579.55 that far exceeded the amount of indirect cost due and invoices on hand. After researching the issue with Area 7, the Department was told that Area 7 was experiencing problems with their system and "it sounds as if you received all of the closeout for June plus extra. So for now, you have lots of money and will not need to draw funds for awhile". The excess cash from this draw resulted in the largest individual monthly excess in your office's testing report. While not absolving the Department from its cash management responsibilities, the Department feels that it is important to consider that there are other variables that have an impact on cash management in which the Department maintains little or no control.

In addition to the measures already taken by the Department to improve upon cash management issues, the Department's Fiscal Supervisor has had additional contact with the ODJFS Fiscal Supervisor regarding excess cash on hand calculations. ODJFS currently has an approved template that it has provided for counties to utilize in calculating cash on hand for federal funds dispersed in the Public Assistance Fund. The method tracks those federal funds by netting out cash on hand excesses on an annual basis. This method provides more flexibility for counties to make corrections when they are periodically over or under advanced. The ODJFS Fiscal Supervisor mentioned a few counties that currently have cash concerns similar to ours that have presented their figures during their single audit and have not have any citations pertaining to cash on hand in their single audits. The Department does not currently calculate excess cash with this method for WIA funds, but uses a strict calculation that identifies daily average balances. The Department feels that incorporating the ODJFS-approved calculation, in addition to improving upon policies currently in place, it will be able to further improve its cash management system to satisfy the requirements implemented by ODJFS.

**FINANCIAL CONDITION**
**SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS**
**OMB CIRCULAR A -133 § .315 (b)**
**DECEMBER 31, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain*** |
|---|---|---|---|
| 2007-001 | 29 CFR 97.20(b)(7) and 29 CFR 97.21(b) WIA Grant Funds Not Spent Timely | No | Repeated as Finding 2008-001 |

Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**AUGUST 13, 2009**

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