



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets – Primary Government and Discretely Presented Component Unit – December 31, 2009.....	11
Statement of Activities - Primary Government and Discretely Presented Component Unit – For the Year Ended December 31, 2009	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds – December 31, 2009	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds – For the Year Ended December 31, 2009.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Non-GAAP Budget Basis) and Actual – For the Year Ended December 31, 2009:	
General Fund.....	19
Public Assistance Fund	20
Auto License and Gas Fund.....	21
Developmental Disabilities Fund (DD)	22
Statement of Fund Net Assets – Enterprise Funds – December 31, 2009	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets Enterprise Funds – For the Year Ended December 31, 2009.....	24
Statement of Cash Flows – Enterprise Funds – For the Year Ended December 31, 2009	25
Statement of Fiduciary Net Assets – Fiduciary Funds – December 31, 2009	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund For the Year Ended December 31, 2009	27
Notes to the Basic Financial Statements	29
Schedule of Federal Awards Expenditures.....	67
Notes to the Schedule of Federal Awards Expenditures	69

**FINANCIAL CONDITION
SHELBY COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133	73
Schedule of Findings.....	75
Schedule of Prior Audit Findings.....	76



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, 2009, 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 the discretely presented component unit (S&H Products), which represents 100% 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of 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, 2009, 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 Department of 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 June 29, 2010 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.

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 Schedule of Federal Awards Expenditures 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 this Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 29, 2010

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

Management's Discussion And Analysis

Shelby County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2009.

Financial Highlights

- The County's total net assets decreased \$1,208,107 during 2009. Net assets of governmental activities decreased \$2,565,419 (approximately 2 percent). The decrease is due mostly to depreciation on capital assets (largely infrastructure) taken during 2009. Net assets of business-type activities increased by \$1,357,312 (about 15 percent).
- The General Fund transfers out equaled \$232,703, all of which was to subsidize various programs of the non-major governmental funds.
- Business-type operations showed total operating revenue of \$10,509,761 and total operating expenses of \$9,531,862 for an operating income of \$977,899. The Sewer Fund and the Recycling Fund reflected operating losses, but the Fair Haven fund an operating income. Total business-type unrestricted net assets were \$2,275,307. This total includes \$1,862,899 for the Fair Haven Fund, \$135,731 for the Sewer Fund and \$276,677 for the Recycling Fund.
- Capital assets, net of accumulated depreciation, decreased \$2,501,609 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 non-major 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

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

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

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

Reporting The County's Most Significant Funds

Fund Financial Statements - The analysis of the County's major funds begins on page 8. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Shelby County's major funds are the General, Public Assistance, Auto License and Gas, Developmental Disabilities, 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 2009 compared to 2008.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and Other Assets	\$ 30,460,880	\$ 30,870,916	\$3,449,412	\$2,056,704	\$ 33,910,292	\$ 32,927,620
Capital Assets	90,434,462	92,936,071	11,014,269	10,877,339	101,448,731	103,813,410
Total Assets	120,895,342	123,806,987	14,463,681	12,934,043	135,359,023	136,741,030

(Continued)

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Liabilities:						
Long-Term Liabilities						
Due within One Year	336,387	456,234	251,747	221,277	588,134	677,511
Due in More Than						
One Year	2,047,568	2,448,976	2,666,598	2,866,653	4,714,166	5,315,629
Other Liabilities	7,976,495	7,801,466	835,476	493,565	8,811,971	8,295,031
Total Liabilities	<u>10,360,450</u>	<u>10,706,676</u>	<u>3,753,821</u>	<u>3,581,495</u>	<u>14,114,271</u>	<u>14,288,171</u>
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	89,820,838	91,786,015	8,434,553	8,117,154	98,255,391	99,903,169
Restricted for:						
Other Purposes	17,265,336	16,944,900			17,265,336	16,944,900
Capital Outlay	2,008,373	2,300,669			2,008,373	2,300,669
Unrestricted	1,440,345	2,068,727	2,275,307	1,235,394	3,715,652	3,304,121
Total Net Assets	<u>\$110,534,892</u>	<u>\$113,100,311</u>	<u>\$10,709,860</u>	<u>\$9,352,548</u>	<u>\$121,244,752</u>	<u>\$122,452,859</u>

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 increased revenues from services provided. Equity in Pooled Cash and Cash Equivalents of the governmental funds decreased due to a decrease in the cash balance of the general fund and several other funds of the county. Accounts receivable of the governmental activities increased due mostly to the sale of land that took place at the end of 2009 for which the money wasn't received until 2010. Accounts receivable of business-type activities increased due to an increase in the County Home patient accounts receivable. Due from other governments increased due mostly to an increase in various grants receivable from the American Recovery and Reinvestment Act (ARRA). Special assessments receivable decreased due to payments received from property owners in 2009 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 increased mostly due to a large accrual of payments due to the Midwest Pool Risk Management Agency and the CCAO Workers Comp Group Rating Plan for 2009. Although the County is no longer a member of the plan effective January 1, 2010, they are still obligated for their share of the plan's cost while they were still a member. Contracts Payable decreased in the governmental funds due to the timing of the CHIP contracts, and contracts payable increased in the enterprise funds due to the Millcreek Sewer and Kettlersville Sewer projects. Matured Compensated Absences Payable represents severance payouts due to employees who had retired as of year-end. Long-term liabilities of governmental activities decreased due to the payoff of the Developmental Disabilities bonds and lease payment on the capital lease for 14 buses. 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 Developmental Disabilities fund. Unrestricted net assets decreased due to a decrease in fund balance of the General Fund caused by the sluggish economy, which reduced many different revenues of the county.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Total net assets decreased \$1,208,107. Net assets of the County's governmental activities decreased by \$2,565,419, with unrestricted net assets decreasing \$628,382.

The net assets of the County's business-type activities increased by \$1,357,312, while reporting a total operating income of \$977,899 during 2009. The Recycling Fund and the Sewer Fund had an operating loss and a decrease in net assets, while the Fair Haven Fund had an operating income and increase in net assets due to increased revenues for services provided.

Table 2 shows the changes in net assets for the year ended December 31, 2009, as compared with the year ended December 31, 2008.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$6,860,637	\$6,734,133	\$10,418,245	\$8,390,503	\$17,278,882	\$15,124,636
Operating Grants, Contributions and Interest	13,504,136	14,001,691			13,504,136	14,001,691
Capital Grants and Contributions	8,742	7,987	211,082	41,621	219,824	49,608
Total Program Revenues	20,373,515	20,743,811	10,629,327	8,432,124	31,002,842	29,175,935
General Revenues:						
Property and Other Taxes	6,026,169	6,458,294			6,026,169	6,458,294
Permissive Sales Tax	6,607,047	7,567,890			6,607,047	7,567,890
Grants and Entitlements	4,232,067	3,950,583			4,232,067	3,950,583
Interest	254,477	770,935			254,477	770,935
Gain on Sale of Assets	689,438				689,438	
Other	56,894	110,968	91,516	41,854	148,410	152,822
Total General Revenues	17,866,092	18,858,670	91,516	41,854	17,959,608	18,900,524
Total Revenues	38,239,607	39,602,481	10,720,843	8,473,978	48,960,450	48,076,459
Program Expenses:						
General Government:						
Legislative and Executive	4,937,596	5,114,236			4,937,596	5,114,236
Judicial	2,529,819	2,641,575			2,529,819	2,641,575
Public Safety	5,175,802	5,297,338			5,175,802	5,297,338
Public Works	10,541,730	11,012,587			10,541,730	11,012,587
Health	243,669	235,995			243,669	235,995
Human Services	16,248,661	16,905,344			16,248,661	16,905,344
Economic Development and Assistance	380,305	218,308			380,305	218,308
Intergovernmental	456,884	418,775			456,884	418,775
Interest and Fiscal Charges	20,560	40,596			20,560	40,596
Fair Haven			8,178,801	7,121,482	8,178,801	7,121,482
Sewer			1,079,309	1,128,796	1,079,309	1,128,796
Recycling			375,421	358,398	375,421	358,398
Total Expenses	40,535,026	41,884,754	9,633,531	8,608,676	50,168,557	50,493,430
Increase(Decrease) in Net Assets Before Transfers	(2,295,419)	(2,282,273)	1,087,312	(134,698)	(1,208,107)	(2,416,971)
Transfers	(270,000)	(226,588)	270,000	226,588		
Increase (Decrease) in Net Assets	<u>(\$2,565,419)</u>	<u>(\$2,508,861)</u>	<u>\$ 1,357,312</u>	<u>\$ 91,890</u>	<u>(\$1,208,107)</u>	<u>(\$ 2,416,971)</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Governmental Activities

Grants and entitlements is the largest source of revenue for Shelby County. This makes up approximately 46 percent of total revenues of governmental activities for 2009. Program specific grants and entitlements made up 35 percent of this and unrestricted grants and entitlements made up 11 percent. The major recipients of the restricted grants and entitlements were the Public Assistance, Auto License and Gas, and Developmental Disabilities Funds.

The County's direct charges to users of governmental services made up around 18 percent of total governmental revenues for 2009. 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.

Permissive sales tax is the next largest source of revenue for the County. The County received \$6,607,047 in 2009 or about 17 percent of total revenues. There was a decrease in sales tax revenue during 2009 due to decreased sales within the County.

Property and other taxes made up about 16 percent of total revenues for 2009. Property tax revenue decreased by about 7 percent from 2008, due to the phasing out of the tangible personal property tax.

The remaining three percent of revenue was from interest and miscellaneous revenues. The gain on the sale of assets is mostly from the sale of land during 2009 that the County has had for a long time and is not using.

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 public safety programs and general government legislative and executive, which accounted for 13 percent and 12 percent of total expenses, respectively. Expenditures of all programs were cut during 2009 due to decreased revenues from most sources.

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 4.3 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 \$1,357,312 during 2009. Charges for services were the largest revenue source, accounting for 97 percent of total business-type activities revenues. During 2009, the business-type activities received capital grants and contributions of \$211,082, which were from Issue II grant monies and contributions from the City of Sidney for Millcreek Sewer, CDBG grant monies for Fair Haven, and the transfer of three vehicles from governmental funds to the Fair Haven Fund. The remaining 1 percent of revenues was from miscellaneous revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Table 3

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 4,937,596	\$ 2,761,619	\$ 5,114,236	\$ 2,785,356
Judicial	2,529,819	1,585,274	2,641,575	1,519,699
Public Safety	5,175,802	4,107,566	5,297,338	4,434,350
Public Works	10,541,730	5,462,798	11,012,587	5,839,514
Health	243,669	107,224	235,995	112,849
Human Services	16,248,661	5,744,927	16,905,344	6,112,923
Economic Development and Assistance	380,305	42,239	218,308	(85,505)
Intergovernmental	456,884	329,304	418,775	381,161
Interest and Fiscal Charges	20,560	20,560	40,596	40,596
Total Expenses	\$40,535,026	\$20,161,511	\$41,884,754	\$21,140,943

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

Charges for services, operating grants, and capital grants of approximately 53 percent of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 47 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 \$40,107,842 and expenditures of \$40,638,338.

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 \$931,497 while total fund balance was \$980,520, a decrease of \$468,177 from the prior year. This decrease was the result of shrinking funding from state entitlements and sales taxes, as well as other sources.

The Public Assistance fund balance increased \$128,649; the Auto License and Gas fund balance decreased \$327,722 and the Developmental Disabilities fund balance increased \$496,710 due to relatively stable revenues for 2009 and decreased expenditures.

The enterprise funds reflect an operating income for 2009. The Recycling Fund had an operating loss of \$74,896. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. During 2009, the Recycling Fund experienced a decrease in sales that led to an operating loss. Fair Haven had an operating income of \$1,222,229, due to increased revenues from its operations. 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 \$169,434. 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 \$265,691 in 2009.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Major Funds Budgeting Highlights

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

During 2009, the General Fund had original appropriations of \$12,352,805 and final appropriations of \$12,199,339. Actual expenditures plus encumbrances for 2009 were \$12,085,962.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Land	\$ 2,363,513	\$ 2,363,513	\$ 458,746	\$ 458,746
Construction in Progress			408,362	
Buildings	17,217,614	17,543,198	1,891,395	1,892,581
Equipment	593,782	700,475	35,182	39,182
Furniture and Fixtures	25,714	39,263		
Vehicles	2,369,561	2,750,655	41,095	57,827
Infrastructure	67,864,278	69,538,967	8,179,489	8,429,003
Totals	\$90,434,462	\$92,936,071	\$11,014,269	\$10,877,339

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

Debt

At December 31, 2009, Shelby County had \$649,068 in long-term governmental debt outstanding, and \$2,579,716 in long-term enterprise debt.

**Table 4
Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
General Obligation Bonds		\$ 374,000		
Loans Payable	\$ 12,257	17,742	\$2,571,029	\$2,748,603
Notes Payable	23,187	46,372		
Capital Leases	613,624	776,056	8,687	11,582
Totals	\$649,068	\$1,214,170	\$2,579,716	\$2,760,185

The general obligation bond issues were 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Obligations under governmental activities capital leases will be paid from the General Fund, the Job and Family Services Fund, and the Developmental Disabilities Fund.

The County's overall legal debt margin was \$22,360,989 as of December 31, 2009. The more restrictive unvoted legal debt margin was \$9,546,732 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, 2009**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>S and H Products</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$14,977,208	\$1,817,514	\$16,794,722	
Cash and Cash Equivalents in Segregated Accounts	135,459	8,638	144,097	\$87,218
Investments in Segregated Accounts				454,570
Cash and Cash Equivalents with Fiscal Agent	502,106		502,106	2,737
Accrued Interest Receivable	43,847		43,847	
Permissive Sales Tax Receivable	1,114,403		1,114,403	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	1,286,980	497,493	1,784,473	19,285
Inventory of Supplies and Materials	239,746	10,142	249,888	
Due from Other Governments	4,582,293	904,638	5,486,931	
Property and Other Taxes Receivable	6,114,984		6,114,984	
Prepaid Items	88,614	3,367	91,981	
Internal Balances	(26,520)	26,520		
Notes Receivable	1,029,103		1,029,103	
Special Assessments Receivable	350,157	181,100	531,257	
Loans Receivable	22,500		22,500	
Depreciable Capital Assets, Net	88,070,949	10,147,161	98,218,110	81,116
Capital Assets, Not Being Depreciated	2,363,513	867,108	3,230,621	
Total Assets	120,895,342	14,463,681	135,359,023	644,926
Liabilities:				
Accounts Payable	793,896	308,404	1,102,300	481
Contracts Payable	25,233	135,699	160,932	
Retainage Payable		11,800	11,800	
Accrued Wages Payable	527,709	238,436	766,145	3,765
Due to Other Governments	635,271	141,137	776,408	960
Accrued Interest Payable	69		69	
Matured Compensated Absences Payable	4,082		4,082	
Deferred Revenue	5,990,235		5,990,235	
Long Term Liabilities:				
Due Within One Year	336,387	251,747	588,134	
Due in More Than One Year	2,047,568	2,666,598	4,714,166	
Total Liabilities	10,360,450	3,753,821	14,114,271	5,206
Net Assets:				
Invested in Capital Assets, Net of Related Debt	89,820,838	8,434,553	98,255,391	81,116
Restricted for:				
Special Revenue				
Other Purposes	17,265,336		17,265,336	
Capital Outlay	2,008,373		2,008,373	
Unrestricted	1,440,345	2,275,307	3,715,652	558,604
Total Net Assets	\$110,534,892	\$10,709,860	\$121,244,752	\$639,720

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, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,937,596	\$2,152,867	\$23,110	
Judicial	2,529,819	565,908	378,637	
Public Safety	5,175,802	746,555	321,681	
Public Works	10,541,730	755,602	4,314,588	\$8,742
Health	243,669	135,487	958	
Human Services	16,248,661	2,376,638	8,127,096	
Economic Development and Assistance	380,305		338,066	
Intergovernmental	456,884	127,580		
Interest and Fiscal Charges	20,560			
Total Governmental Activities	40,535,026	6,860,637	13,504,136	8,742
Business-type activities:				
Fair Haven	8,178,801	9,377,758		83,564
Sewer	1,079,309	808,206		127,518
Recycling	375,421	232,281		
Total business-type activities	9,633,531	10,418,245		211,082
Total primary government	50,168,557	17,278,882	13,504,136	219,824
Component Unit				
S and H Products	\$204,305	\$96,639	\$70,195	

General Revenues:

Property Taxes Levied for:

- General Purposes
- Other Purposes
- Debt Service
- 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
- Decrease in Fair Value of Investments
- Gain on Sale of Capital Assets
- Miscellaneous
- Transfers
- Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

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
(\$2,761,619)		(\$2,761,619)	
(1,585,274)		(1,585,274)	
(4,107,566)		(4,107,566)	
(5,462,798)		(5,462,798)	
(107,224)		(107,224)	
(5,744,927)		(5,744,927)	
(42,239)		(42,239)	
(329,304)		(329,304)	
(20,560)		(20,560)	
<u>(20,161,511)</u>		<u>(20,161,511)</u>	
	\$1,282,521	1,282,521	
	(143,585)	(143,585)	
	<u>(143,140)</u>	<u>(143,140)</u>	
	995,796	995,796	
<u>(20,161,511)</u>	<u>995,796</u>	<u>(19,165,715)</u>	
			<u>(\$37,471)</u>
1,868,852		1,868,852	
3,637,292		3,637,292	
378,770		378,770	
141,255		141,255	
3,303,518		3,303,518	
1,102,506		1,102,506	
2,201,023		2,201,023	
4,232,067		4,232,067	
500,975		500,975	(24,152)
(246,498)		(246,498)	
689,438		689,438	
56,894	91,516	148,410	
(270,000)	270,000		
<u>17,596,092</u>	<u>361,516</u>	<u>17,957,608</u>	<u>(24,152)</u>
(2,565,419)	1,357,312	(1,208,107)	(61,623)
<u>113,100,311</u>	<u>9,352,548</u>	<u>122,452,859</u>	<u>701,343</u>
<u>\$110,534,892</u>	<u>\$10,709,860</u>	<u>\$121,244,752</u>	<u>\$639,720</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$733,411	\$295,401	\$4,298,924
Cash and Cash Equivalents in Segregated Accounts	10,423		
Cash and Cash Equivalents with Fiscal Agents			
Receivables:			
Property and Other Taxes	1,936,775		11,075
Permissive Sales Tax	557,594		370,945
Accounts (Net, where applicable, of Uncollectible Accounts)	558,346	3,832	120,890
Interfund	38,628	140,913	12,624
Special Assessments			
Accrued Interest	39,101		4,746
Due from Other Governments	874,397	212,902	2,148,285
Prepaid Items	17,015	45,568	1,032
Inventory of Supplies and Materials	53,141	638	184,191
Notes Receivable			
Loans Receivable	22,500		
Total Assets	<u>4,841,331</u>	<u>699,254</u>	<u>7,152,712</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	249,152	133,633	78,951
Contracts Payable			
Accrued Wages Payable	231,145	56,727	45,896
Due to Other Governments	215,632	140,478	41,933
Interfund Payable	59,129	472	
Matured Compensated Absences Payable		4,082	
Deferred Revenue	3,105,753	210,791	1,433,540
Total Liabilities	<u>3,860,811</u>	<u>546,183</u>	<u>1,600,320</u>
Fund Balances:			
Reserved for Encumbrances	18,562	24,698	46,594
Reserved for Advances	6,543		
Reserved for Loans Receivable	22,500		
Reserved for Notes Receivable			
Reserved for Unclaimed Monies	1,418		
Unreserved:			
Undesignated, Reported in:			
General Fund	931,497		
Special Revenue Funds		128,373	5,505,798
Debt Service Funds			
Capital Projects Funds			
Total Fund Balances	<u>980,520</u>	<u>153,071</u>	<u>5,552,392</u>
Total Liabilities and Fund Balances	<u>\$4,841,331</u>	<u>\$699,254</u>	<u>\$7,152,712</u>

See accompanying notes to the basic financial statements.

Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$5,530,776	\$4,118,696	\$14,977,208
103,283	21,753	135,459
502,106		502,106
4,167,134		6,114,984
	185,864	1,114,403
18,676	585,236	1,286,980
885	126,165	319,215
	350,157	350,157
		43,847
782,266	564,443	4,582,293
1,857	23,142	88,614
387	1,389	239,746
	1,029,103	1,029,103
		22,500
<u>11,107,370</u>	<u>7,005,948</u>	<u>30,806,615</u>
269,445	62,715	793,896
	25,233	25,233
139,754	54,187	527,709
135,210	102,018	635,271
5,279	280,855	345,735
		4,082
<u>4,652,282</u>	<u>828,378</u>	<u>10,230,744</u>
<u>5,201,970</u>	<u>1,353,386</u>	<u>12,562,670</u>
	117,983	207,837
	102,379	108,922
		22,500
	891,108	891,108
		1,418
		931,497
5,905,400	2,719,630	14,259,201
	(2,651)	(2,651)
	1,824,113	1,824,113
<u>5,905,400</u>	<u>5,652,562</u>	<u>18,243,945</u>
<u>\$11,107,370</u>	<u>\$7,005,948</u>	<u>\$30,806,615</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Total Governmental Fund Balances	\$18,243,945
----------------------------------	--------------

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.	90,434,462
---	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property and Other Taxes	\$195,001	
Intergovernmental	2,962,284	
Accounts Receivable	716,938	
Special Assessments	335,022	
Interest	31,264	
Total	4,240,509	4,240,509

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	(69)	
Special Assessment Long-Term Note	(23,187)	
OWDA Loan	(12,257)	
Capital Leases	(613,624)	
Compensated Absences	(1,734,887)	
Total	(2,384,024)	(2,384,024)

Net Assets of Governmental Activities	\$110,534,892
---------------------------------------	---------------

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, 2009**

	General	Public Assistance	Auto License and Gas	Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Taxes	\$1,870,357		\$141,255	\$3,636,809	\$387,176	\$6,035,597
Permissive Sales Tax	3,303,518		2,201,023		1,102,506	6,607,047
Intergovernmental	2,199,260	\$4,333,901	4,369,717	4,287,973	2,266,246	17,457,097
Charges for Services	2,179,288	807,511	217,780	172,014	1,748,155	5,124,748
Licenses and Permits	2,010				119,049	121,059
Fines and Forfeitures	176,329				164,992	341,321
Special Assessments					323,292	323,292
Interest	542,420		52,567			594,987
Decrease in Fair Value of Investments	(246,498)					(246,498)
Contributions and Donations				9,785		9,785
Other	241,170	147,752	134,635	364,642	345,126	1,233,325
Total Revenues	10,267,854	5,289,164	7,116,977	8,471,223	6,456,542	37,601,760
Expenditures						
Current:						
General Government:						
Legislative and Executive	3,691,072				976,174	4,667,246
Judicial	1,990,541				424,842	2,415,383
Public Safety	4,185,444				558,880	4,744,324
Public Works	824,769		7,458,200		280,950	8,563,919
Health	112,067				119,165	231,232
Human Services	640,666	5,169,906		7,593,040	2,382,510	15,786,122
Economic Development and Assistance					376,510	376,510
Intergovernmental	387,249					387,249
Capital Outlay					838,016	838,016
Debt Service:						
Principal Retirement	9,019	1,071		178,473	402,670	591,233
Interest and Fiscal Charges	1,496				16,087	17,583
Total Expenditures	11,842,323	5,170,977	7,458,200	7,771,513	6,375,804	38,618,817
Excess of Revenues Over (Under) Expenditures	(1,574,469)	118,187	(341,223)	699,710	80,738	(1,017,057)
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	18,326		8,598		703,506	730,430
Inception of Capital Lease	15,669	10,462				26,131
Transfers - In	1,305,000		4,903		439,618	1,749,521
Transfers - Out	(232,703)			(203,000)	(1,583,818)	(2,019,521)
Total Other Financing Sources (Uses)	1,106,292	10,462	13,501	(203,000)	(440,694)	486,561
Net Change in Fund Balances	(468,177)	128,649	(327,722)	496,710	(359,956)	(530,496)
Fund Balances Beginning of Year	1,448,697	24,422	5,880,114	5,408,690	6,012,518	18,774,441
Fund Balances End of Year	\$980,520	\$153,071	\$5,552,392	\$5,905,400	\$5,652,562	\$18,243,945

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net Change in Fund Balances - Total Governmental Funds (\$530,496)

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	\$4,315,547	
Depreciation	<u>(6,776,164)</u>	
Excess of Capital Outlay over Depreciation Expense		(2,460,617)

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	(730,430)	
Gain on Sale of Assets	<u>689,438</u>	
		(40,992)

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	
Platvoit Ditch Special Assessment Note Principal Payments	23,185	
OWDA Loan Principal Payments	5,485	
Capital Lease Principal Payments	<u>188,563</u>	
		591,233

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		(26,131)
----------------------------	--	----------

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.

Amortization of issuance costs		(4,505)
--------------------------------	--	---------

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	(9,428)	
Intergovernmental	105,398	
Charges for Services	82,198	
Fines and Forfeitures	(126,971)	
Licenses and Permits	(70)	
Special Assessments	(37,351)	
Interest	<u>(65,368)</u>	
		(51,592)

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	1,528	
Increase in Compensated Absences	<u>(43,847)</u>	
		<u>(42,319)</u>

Change in Net Assets of Governmental Activities (\$2,565,419)

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$1,877,000	\$1,877,000	\$1,875,315	(\$1,685)
Permissive Sales Tax	4,150,000	3,450,000	3,341,785	(108,215)
Intergovernmental	2,266,030	2,079,130	2,218,249	139,119
Charges for Services	2,221,500	1,971,500	2,128,941	157,441
Licenses and Permits	2,000	2,000	2,010	10
Fines and Forfeitures	210,000	185,375	175,678	(9,697)
Interest	701,000	501,000	588,207	87,207
Other	214,860	214,860	214,684	(176)
Total Revenues	<u>11,642,390</u>	<u>10,280,865</u>	<u>10,544,869</u>	<u>264,004</u>
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,772,706	3,587,781	3,569,750	18,031
Judicial	2,070,566	2,000,877	1,990,475	10,402
Public Safety	4,213,329	4,289,414	4,291,776	(2,362)
Public Works	852,368	838,912	828,961	9,951
Health	112,147	112,368	112,168	200
Human Services	677,576	678,257	635,926	42,331
Intergovernmental	393,713	387,249	387,249	
Total Expenditures	<u>12,092,405</u>	<u>11,894,858</u>	<u>11,816,305</u>	<u>78,553</u>
Excess of Revenues Under Expenditures	<u>(450,015)</u>	<u>(1,613,993)</u>	<u>(1,271,436)</u>	<u>342,557</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			18,326	18,326
Advances In			7,100	7,100
Advances Out		(36,954)	(36,954)	
Transfers - In	200,000	1,305,000	1,305,000	
Transfers - Out	(260,400)	(267,527)	(232,703)	34,824
Total Other Financing Sources (Uses)	<u>(60,400)</u>	<u>1,000,519</u>	<u>1,060,769</u>	<u>60,250</u>
Net Change in Fund Balance	(510,415)	(613,474)	(210,667)	402,807
Fund Balance Beginning of Year	703,182	703,182	703,182	
Prior Year Encumbrances Appropriated	<u>101,549</u>	<u>101,549</u>	<u>101,549</u>	
Fund Balance End of Year	<u>\$294,316</u>	<u>\$191,257</u>	<u>\$594,064</u>	<u>\$402,807</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
PUBLIC ASSISTANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$4,667,315	\$4,895,501	\$4,048,455	(\$847,046)
Charges for Services	904,559	904,559	813,075	(91,484)
Other	145,200	145,200	155,797	10,597
Total Revenues	<u>5,717,074</u>	<u>5,945,260</u>	<u>5,017,327</u>	<u>(927,933)</u>
Expenditures:				
Current:				
Human Services	<u>5,630,015</u>	<u>6,194,992</u>	<u>5,418,024</u>	<u>776,968</u>
Excess of Revenues Over (Under) Expenditures	87,059	(249,732)	(400,697)	(150,965)
Fund Balance (Deficit) at Beginning of Year	(9,877)	(9,877)	(9,877)	
Prior Year Encumbrances Appropriated	<u>305,700</u>	<u>305,700</u>	<u>305,700</u>	
Fund Balance (Deficit) at End of Year	<u><u>\$382,882</u></u>	<u><u>\$46,091</u></u>	<u><u>(\$104,874)</u></u>	<u><u>(\$150,965)</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
AUTO LICENSE AND GAS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and Other Taxes	\$140,000	\$140,000	\$141,291	\$1,291
Permissive Sales Tax	2,000,000	2,200,000	2,228,241	28,241
Intergovernmental	4,405,000	4,405,000	4,350,940	(54,060)
Charges for Services	330,000	330,000	220,258	(109,742)
Interest	75,000	75,000	34,656	(40,344)
Other	36,500	36,500	35,888	(612)
Total Revenues	<u>6,986,500</u>	<u>7,186,500</u>	<u>7,011,274</u>	<u>(175,226)</u>
Expenditures:				
Current:				
Public Works	10,306,173	11,725,502	7,615,566	4,109,936
Excess of Revenues Under Expenditures	(3,319,673)	(4,539,002)	(604,292)	3,934,710
Other Financing Sources:				
Transfers In			4,903	4,903
Proceeds from Sale of Capital Assets			8,598	8,598
Total Other Financing Sources			<u>13,501</u>	<u>13,501</u>
Net Change in Fund Balance	(3,319,673)	(4,539,002)	(590,791)	3,948,211
Fund Balance at Beginning of Year	3,308,778	3,308,778	3,308,778	
Prior Year Encumbrances Appropriated	<u>1,476,431</u>	<u>1,476,431</u>	<u>1,476,431</u>	
Fund Balance at End of Year	<u><u>\$1,465,536</u></u>	<u><u>\$246,207</u></u>	<u><u>\$4,194,418</u></u>	<u><u>\$3,948,211</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGET BASIS) AND ACTUAL
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$4,024,252	\$3,884,909	\$3,645,469	(\$239,440)
Intergovernmental	3,610,983	3,900,350	4,144,527	244,177
Charges for Services	35,000	35,000	48,830	13,830
Other	335,120	335,120	146,340	(188,780)
Total Revenues	<u>8,005,355</u>	<u>8,155,379</u>	<u>7,985,166</u>	<u>(170,213)</u>
Expenditures:				
Current:				
Human Services	<u>7,661,112</u>	<u>7,770,652</u>	<u>6,976,167</u>	<u>794,485</u>
Excess of Revenues Over Expenditures	<u>344,243</u>	<u>384,727</u>	<u>1,008,999</u>	<u>624,272</u>
Other Financing Uses				
Transfers - Out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(203,000)</u>	<u>97,000</u>
Net Change in Fund Balance	44,243	84,727	805,999	721,272
Fund Balance at Beginning of Year	4,523,422	4,523,422	4,523,422	
Prior Year Encumbrances Appropriated	<u>37,517</u>	<u>37,517</u>	<u>37,517</u>	
Fund Balance at End of Year	<u>\$4,605,182</u>	<u>\$4,645,666</u>	<u>\$5,366,938</u>	<u>\$721,272</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2009**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,483,370	\$53,333	\$280,811	\$1,817,514
Cash and Cash Equivalents in Segregated Accounts	8,638			8,638
Accounts Receivable	409,863	58,015	29,615	497,493
Inventory of Supplies and Materials	9,342		800	10,142
Due from Other Governments	777,120	127,518		904,638
Prepaid Items	2,379	988		3,367
Interfund Receivable	37,995	57		38,052
Special Assessments Receivable		181,100		181,100
Total Current Assets	<u>2,728,707</u>	<u>421,011</u>	<u>311,226</u>	<u>3,460,944</u>
Non-current Assets:				
Non-Depreciable Capital Assets	17,031	798,539	51,538	867,108
Depreciable Capital Assets, Net	1,612,633	8,408,419	126,109	10,147,161
Total Non-current Assets	<u>1,629,664</u>	<u>9,206,958</u>	<u>177,647</u>	<u>11,014,269</u>
Total Assets	<u>4,358,371</u>	<u>9,627,969</u>	<u>488,873</u>	<u>14,475,213</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	236,896	67,741	3,767	308,404
Accrued Wages Payable	225,484	7,602	5,350	238,436
Contracts Payable		135,699		135,699
Retainage Payable		11,800		11,800
Due to Other Governments	126,449	8,472	6,216	141,137
Interfund Payable	31	11,501		11,532
Compensated Absences Payable	31,006	1,564	641	33,211
Capital Leases Payable	2,895			2,895
OPWC Loans Payable		1,875		1,875
OWDA Loans Payable		213,766		213,766
Total Current Liabilities	<u>622,761</u>	<u>460,020</u>	<u>15,974</u>	<u>1,098,755</u>
Long-Term Liabilities:				
Compensated Absences Payable - net of current portion	245,942	40,901	18,575	305,418
Capital Leases Payable - net of current portion	5,792			5,792
OPWC Loans Payable - net of current portion		30,000		30,000
OWDA Loans Payable - net of current portion		2,325,388		2,325,388
Total Long-Term Liabilities	<u>251,734</u>	<u>2,396,289</u>	<u>18,575</u>	<u>2,666,598</u>
Total Liabilities	<u>874,495</u>	<u>2,856,309</u>	<u>34,549</u>	<u>3,765,353</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,620,977	6,635,929	177,647	8,434,553
Unrestricted	1,862,899	135,731	276,677	2,275,307
Total Net Assets	<u>\$3,483,876</u>	<u>\$6,771,660</u>	<u>\$454,324</u>	<u>\$10,709,860</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

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

	Fair Haven	Sewer	Other Business-Type Activities	Total
Operating Revenues:				
Charges for Services	\$9,377,758	\$808,206	\$122,615	\$10,308,579
Sales			109,666	109,666
Other	23,272		68,244	91,516
Total Operating Revenues	<u>9,401,030</u>	<u>808,206</u>	<u>300,525</u>	<u>10,509,761</u>
Operating Expenses:				
Personal Services	5,432,445	291,315	226,052	5,949,812
Contractual Services	1,248,095	323,836	110,376	1,682,307
Materials and Supplies	1,181,074	93,555	14,297	1,288,926
Depreciation	72,578	265,691	22,584	360,853
Other	244,609	3,243	2,112	249,964
Total Operating Expenses	<u>8,178,801</u>	<u>977,640</u>	<u>375,421</u>	<u>9,531,862</u>
Operating Income (Loss)	<u>1,222,229</u>	<u>(169,434)</u>	<u>(74,896)</u>	<u>977,899</u>
Non-Operating Revenues (Expenses):				
Interest and Fiscal Charges		(101,669)		(101,669)
Capital Grants		54,280		54,280
Total Non-Operating Revenues (Expenses)		<u>(47,389)</u>		<u>(47,389)</u>
Income (Loss) Before Transfers and Capital Contributions	1,222,229	(216,823)	(74,896)	930,510
Capital Contributions	83,564	73,238		156,802
Transfers In		270,000		270,000
Change in Net Assets	1,305,793	126,415	(74,896)	1,357,312
Net Assets Beginning of Year	<u>2,178,083</u>	<u>6,645,245</u>	<u>529,220</u>	<u>9,352,548</u>
Net Assets End of Year	<u>\$3,483,876</u>	<u>\$6,771,660</u>	<u>\$454,324</u>	<u>\$10,709,860</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	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	\$8,815,282	\$962,103	\$231,885	\$10,009,270
Cash Received from Other Operating Receipts	11,678		68,244	79,922
Cash Payments for Employee Services and Benefits	(5,375,242)	(283,822)	(223,263)	(5,882,327)
Cash Payments to Suppliers	(2,338,396)	(225,375)	(123,005)	(2,686,776)
Cash Payments for Other Operating Expenses	(223,408)	(860)	(2,112)	(226,380)
Net Cash Provided by (Used in) Operating Activities	<u>889,914</u>	<u>452,046</u>	<u>(48,251)</u>	<u>1,293,709</u>
Cash Flows from Noncapital Financing Activities:				
Transfers - In		270,000		270,000
Advances Out		(10,677)		(10,677)
Net Cash Provided by Noncapital Financing Activities		<u>259,323</u>		<u>259,323</u>
Cash Flows from Capital and Related Financing Activities:				
Lease Principal Payments	(2,895)			(2,895)
Acquisition of Capital Assets	(5,857)	(408,362)		(414,219)
Capitalized Interest on Loan		2,677		2,677
Loan Proceeds		223,372		223,372
Loan Principal Payments		(405,955)		(405,955)
Loan Interest Payments		(99,337)		(99,337)
Net Cash Used for Capital and Related Financing Activities	<u>(8,752)</u>	<u>(687,605)</u>		<u>(696,357)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	881,162	23,764	(48,251)	856,675
Cash and Cash Equivalents Beginning of Year	<u>610,846</u>	<u>29,569</u>	<u>329,062</u>	<u>969,477</u>
Cash and Cash Equivalents End of Year	<u>1,492,008</u>	<u>53,333</u>	<u>280,811</u>	<u>1,826,152</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	1,222,229	(169,434)	(74,896)	977,899
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	72,578	265,691	22,584	360,853
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(260,287)	(1,206)	(490)	(261,983)
(Increase) Decrease in Inventory of Supplies and Materials	(1,419)		1,228	(191)
Increase in Due from Other Governments	(295,224)			(295,224)
Decrease in Prepaid Items	226	806		1,032
Increase (Decrease) in Interfund Receivable	3,056	(57)	94	3,093
Decrease in Special Assessments Receivable		155,160		155,160
Increase in Accounts Payable	90,659	44,650	440	135,749
Increase in Contracts Payable		135,699		135,699
Increase in Retainage Payable		11,800		11,800
Increase in Accrued Wages	37,077	621	627	38,325
Increase in Due to Other Governments	16,255	2,228	1,855	20,338
Increase (Decrease) in Interfund Payable	(31)	306		275
Increase in Compensated Absences Payable	4,795	5,782	307	10,884
Net Cash Provided by (Used for) Operating Activities	<u>\$889,914</u>	<u>\$452,046</u>	<u>(\$48,251)</u>	<u>\$1,293,709</u>

Non-Cash Transaction:

During 2009, the governmental funds transferred three vehicles to Fair Haven with a book value of \$12,564. Fair Haven also received a walk-in freezer that was paid mostly with a CDBG grant (recorded in the governmental funds) in the amount of \$71,000.

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$51,336	\$3,030,151
Cash and Cash Equivalents in Segregated Accounts		824,725
Investments in Segregated Accounts		94,309
Receivables:		
Property and Other Taxes		37,002,934
Accounts (Net, where applicable, of Uncollectible Accounts)		134,438
Special Assessments		144,804
Accrued Interest		98
Due from Other Governments		3,448,813
Revenue in Lieu of Taxes Receivable		138,981
Total Assets	51,336	44,819,253
Liabilities:		
Accounts Payable	481	
Due to Other Governments	120	41,308,902
Undistributed Monies		3,510,351
Deposits Held and Due to Others		
Total Liabilities	601	\$44,819,253
Net Assets:		
Held in Trust for Pool Participants	\$50,735	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	\$40,100
Deductions:	
Distributions to Participants	<u>22,982</u>
Change in Net Assets	17,118
Net Assets Beginning of Year	<u>33,617</u>
Net Assets End of Year	<u><u>\$50,735</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 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 - The Wilma Valentine Creative Learning Center (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 Developmental Disabilities. The Shelby County Board of 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 Developmental Disabilities. The workshop, under contractual agreement with the Shelby County Board of Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The Shelby County Board of Developmental Disabilities 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 developmentally disabled 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, the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), 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, 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), 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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.

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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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.

Developmental Disabilities Fund – This fund is used to account for the operation of a school and the costs of administering a workshop for the 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. **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:

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The County also has one non-major enterprise fund:

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

- 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. 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

E. Revenues - Exchange and Non-exchange Transaction

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

Non-exchange 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.

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, 2009, but were levied to finance 2010 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Expenses/Expenditures

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

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

H. Cash and Cash Equivalents

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

During 2009, the County invested in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association, the First American Treasury Obligation Fund and certificates of deposit.

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 \$542,420 was credited to the General Fund during 2009, which includes \$521,948 assigned from other County funds.

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, collectability.

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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Inventory of Supplies and Materials

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

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

Inventory consists of expendable supplies held for consumption.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

L. Interfund Receivables/Payables

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

M. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost, 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. Compensated Absences

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

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

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Capital Contributions

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

Q. Net Assets

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

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

R. Operating Revenues and Expenses

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

S. Reserves of Fund Balance

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

T. Interfund Transactions

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

V. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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 2009.

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 Developmental Disabilities 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).

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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 (advances) 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 Developmental Disabilities. This activity is included in the revenues and expenditures of Developmental Disabilities Fund on a GAAP basis.
9. Inception of capital lease represents the fair value of equipment acquired under a capital lease during 2009. On a GAAP basis, this is recorded as another 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 Developmental Disabilities Fund are as follows:

	Net Change in Fund Balance			
	General	Public Assistance	Auto License And Gas	Developmental Disabilities
GAAP Basis	(\$468,177)	\$128,649	(\$327,722)	\$496,710
Adjustments:				
Revenue Accruals	514,389	(125,174)	(112,265)	94,947
Expenditure Accruals	117,337	7,181	(50,338)	323,792
Unrecorded Cash 2008	9,996	144	3,522	3,522
Unrecorded Cash 2009	(25,230)	(146,807)	3,040	(91)
Change in Fair Value of Investments 2008	(240,090)			
Change in Fair Value of Investments 2009	6,408			
Prepaid Items	(10,135)	(760)	518	(6,573)
Non-Budgeted Activity				(47,340)
Encumbrances	(71,957)	(253,468)	(107,546)	(68,427)
Agency Fund Cash Allocation – 2008	61,336			104,776
Agency Fund Cash Allocation – 2009	(58,991)			(95,317)
Inception of Capital Lease	(15,699)	(10,462)		
Advances (Net)	(29,854)			
Budget Basis	(\$210,667)	(\$400,697)	(\$590,791)	\$805,999

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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;
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. 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;

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

10. 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 after purchase;

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.

Cash with Fiscal Agent – At fiscal year end, the County had \$502,106 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 \$20,774 in un-deposited 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, 2009, the carrying amount of the County's deposits was \$10,548,439 and the bank balance was \$10,761,006.

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, 2009, \$7,410,085 of the government's bank balance of \$10,761,006 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, \$3,350,921 was covered by the Federal Depository Insurance Corporation.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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, 2009, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Market/ Carrying Value</u>	<u>Maturity Date</u>	
First American Treasury Obligation Fund	\$2,335,722	various	
Federal Home Loan Bank	399,376	11/06/12	
Federal Home Loan Bank	398,876	11/27/12	
Federal Home Loan Bank	501,095	6/30/14	
Federal Home Loan Bank	1,002,500	8/19/14	
Federal Home Loan Bank	499,065	10/08/14	
Federal Home Loan Bank	991,250	12/10/14	Callable on 6/10/10
Federal Home Loan Mortgage Corporation	1,002,550	5/09/14	
Federal National Mortgage Association	1,005,000	5/04/12	Callable 5/4/10
Federal National Mortgage Association	744,848	11/25/14	
Federal National Mortgage Association	498,595	11/28/14	Callable 1/30/09
Federal National Mortgage Association	991,250	11/28/14	
Total	<u>\$10,370,127</u>		

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. 37 percent of the County's investments at December 31, 2009 were in the Federal Home Loan Bank, 31 percent were in the Federal National Mortgage Association, 22 percent were in the First American Treasury Obligation Fund, and 10 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, 2009. The County's investment in the First American Treasury Obligation was not rated at December 31, 2009.

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."

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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	\$21,347,137	\$ 94,309
Cash on Hand	(20,646)	
Cash with Fiscal Agent	(502,106)	
Investments:		
Certificate of Deposit	94,309	(94,209)
Federal Home Loan Bank	(3,792,162)	3,792,162
Federal Home Loan Mortgage Corp. (FHLMC)	(1,002,550)	1,002,550
Federal National Mortgage Association	(3,239,693)	3,239,693
First American Treasury Obligation Fund	(2,335,722)	2,335,722
GASB Statement 3	\$10,548,567	\$10,370,127

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 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility) are for 2009 taxes. 2009 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. 2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. The tangible personal property tax was phased out over a four-year period ending in 2009.

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.

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

Accrued property taxes receivable represent real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009, 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 2009 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

The full tax rate for all County operations for the year ended December 31, 2009, was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$728,553,720	76.34%
Other Real Property	191,968,940	20.12%
Tangible Personal Property	1,923,770	.2%
Public Utility Personal Property	31,837,350	3.34%
Total Assessed Value	<u>\$954,283,780</u>	<u>100.00%</u>

6. PERMISSIVE SALES AND USE TAX

The County has 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.

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 2009. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2009. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2009 amounted to \$3,303,518 in the General Fund, \$2,201,023 in the Auto License and Gas Fund and \$1,102,506 in the non-major funds, for a total of \$6,607,047.

7. RECEIVABLES

Receivables at December 31, 2009, 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 \$24,160 for governmental funds. The County has \$73,053 delinquent special assessments at December 31, 2009.

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:

	<u>Juvenile/Probate Court Fines</u>	<u>Clerk of Court Fines</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Receivable	\$467,561	\$5,329,088	\$979,072	\$6,775,721
Allowance for Un-collectibles	(337,654)	(4,702,717)		(5,040,371)
Net Accounts Receivable	<u>\$129,907</u>	<u>\$626,371</u>	<u>\$979,072</u>	<u>\$1,735,350</u>

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

7. RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

Governmental Activities	
Election Cost Reimbursement	\$38,233
Local Government	566,396
Congregate Site and Home Delivered Meals	3,945
Miscellaneous Reimbursements	11,137
Public Defender Reimbursement	40,796
Homestead and Rollback	362,420
Motor Vehicle License Tax	918,380
Electric Deregulation	30,218
Gasoline Tax	1,150,916
Excess IRP	78,989
Waiver IV	4,426
Miscellaneous Public Assistance Reimbursements	2,251
Area Agency on Aging Transportation/Daycare	3,464
ODE Handicap Pre-School	28,343
DODD Provider Support	104,160
Title XX	18,048
CHIP-HOME	47,000
CHIP - CDBG	16,102
Prisoner Housing	58,511
Drug Prevention Grants	17,608
High Visibility Enforcement Overtime Grant	2,346
Bullet Proof Vest	11,025
OIBRS Computer Upgrade	11,238
ODE Unit Funding	291,839
ODE Subsidy payments	57,089
Medicaid Enhanced FMAP	28,488
Victims of Crime Assistance Grant	48,102
Community Corrections Act	30,422
SVAA Grant	33,417
CASA Grants	9,636
Judges Reimbursement	1,047
Daycare Grant	38,150
Care and Custody Grant	78,461
ARRA Probation Project	4,023
Indigent Mentals Reimbursement	334
House Bill 408 Reimbursement	1,970
Court appointed council fees	4,750
Public Assistance Underfunded	210,651
CSEA Underfunded	192,684
BWC Refund	25,278
Total Governmental Activities	<u>4,582,293</u>
Enterprise Funds:	
Medicare Reimbursement	560,311
Medicaid Reimbursement	216,809
Issue II	54,280
City of Sidney's share of Millcreek Subdivision work completed	73,238
Total Business-Type Activities	<u>904,638</u>

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

7. RECEIVABLES (Continued)

Agency Funds

Library and Local Government	\$ 686,584
Local Government	1,214,737
Homestead and Rollback	53,072
Electric Deregulation	23,698
Excess IRP	8,832
Motor Vehicle License Tax	288,516
Gasoline Tax	597,890
Soil and Water Grant	5,962
Public Health Emergency Preparedness Grant	215,448
WIC Administration	134,011
Well Child Direct Care Services	19,463
Health Assistance Program	20,000
Help Me Grow Grant	133,577
FEMA Emergency Preparedness Grant	47,023
Total Agency Funds	<u>3,448,813</u>
Total All Funds	<u><u>\$8,670,421</u></u>

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, 2009, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$1,029,103. 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 \$891,108 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, 2009, was as follows:

	Balance at 12/31/2008	Additions	Deletions	Balance at 12/31/2009
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$2,363,513			\$ 2,363,513
Depreciable Capital Assets:				
Buildings	27,332,199	\$353,373		27,685,572
Equipment	2,078,967	62,187	(\$ 44,746)	2,096,408
Furniture and Fixtures	179,036			179,036
Vehicles	5,860,893	246,988	(217,298)	5,890,583
Infrastructure	<u>155,657,572</u>	<u>3,652,999</u>	<u>(1,038,052)</u>	<u>158,272,519</u>
Total Depreciable Capital Assets	<u>191,108,667</u>	<u>4,315,547</u>	<u>(1,300,096)</u>	<u>194,124,118</u>

(Continued)

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Governmental Activities (Continued)	Balance at 12/31/2008	Additions	Deletions	Balance at 12/31/2009
Less Accumulated Depreciation:				
Buildings	(9,789,001)	(678,957)		(10,467,958)
Equipment	(1,378,492)	(162,338)	38,204	(1,502,626)
Furniture and Fixtures	(139,773)	(13,549)		(153,322)
Vehicles	(3,110,238)	(599,508)	188,724	(3,521,022)
Infrastructure	(86,118,605)	(5,321,812)	1,032,176	(90,408,241)
Total Accumulated Depreciation	<u>(100,536,109)</u>	<u>(6,776,164)</u>	<u>1,259,104</u>	<u>(106,053,169)</u>
Depreciable Capital Assets, Net	<u>90,572,558</u>	<u>(2,460,617)</u>	<u>(40,992)</u>	<u>88,070,949</u>
Governmental Activities Capital Assets, Net	<u>92,936,071</u>	<u>(2,460,617)</u>	<u>(40,992)</u>	<u>90,434,462</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	458,746			458,746
Construction in Progress		408,362		408,362
Total Capital Assets Not Being Depreciated	<u>458,746</u>	<u>408,362</u>		<u>867,108</u>
Depreciable Capital Assets:				
Buildings	3,082,262	76,857		3,159,119
Equipment	204,806			204,806
Furniture and Fixtures	18,000			18,000
Vehicles	523,440	64,473		587,913
Infrastructure	11,175,666			11,175,666
Total Depreciable Capital Assets	<u>15,004,174</u>	<u>141,330</u>		<u>15,145,504</u>
Total Capital Assets At Historical Cost	<u>15,462,920</u>	<u>549,692</u>		<u>16,012,612</u>
Less Accumulated Depreciation:				
Buildings	(1,189,681)	(78,043)		(1,267,734)
Equipment	(165,624)	(4,000)		(169,624)
Furniture and Fixtures	(18,000)			(18,000)
Vehicles	(465,613)	(81,205)		(546,818)
Infrastructure	(2,746,663)	(249,514)		(2,996,177)
Total Accumulated Depreciation	<u>(4,585,581)</u>	<u>(412,762)</u>		<u>(4,998,343)</u>
Depreciable Capital Assets, Net	<u>10,418,593</u>	<u>(271,432)</u>		<u>10,147,161</u>
Business-Type Activities Capital Assets, Net	<u>\$10,877,339</u>	<u>\$136,930</u>	<u>\$ 0</u>	<u>\$11,014,269</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$140,770
General Government - Judicial	48,838
Public Safety	394,348
Public Works	5,680,793
Health	7,106
Human Services	500,514
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$6,776,164</u>

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 2009, 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	81,683,000
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

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 existing 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 2009, 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

9. RISK MANAGEMENT (Continued)

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

Beginning January 1, 2010, the County is no longer a participant in the CCAOSC. 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.

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 OPERS 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent. The County's contribution rate for 2009 was 14 percent of covered payroll, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.63 percent of covered payroll.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

For 2009, a portion of the County's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan from January 1 through March 31 and 5.5 percent was allocated from April 1 through December 31. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the County of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 was \$1,561,073, \$1,137,148, and \$1,245,855, respectively; 92 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$66,306 made by the County and \$47,362 made by the plan members.

B. State Teachers Retirement System

Plan Description - The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system, for teachers employed by the board of developmental disabilities. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 on an allowance based on 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 of 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. 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 sixty, 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 of 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 fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

The County's required contribution for pension obligations to the DBP for the years ended December 31, 2009, 2008, and 2007 were \$118,779, \$100,954, and \$87,594, respectively; 100 percent has been contributed all three years. Contributions to the DCP and CP for the year fiscal year 2009 were \$6,129 made by plan members and \$2,273 by the County.

11. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care 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 presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll (17.63 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent of covered payroll for the remainder of the year.

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

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2009, 2008, and 2007 was \$1,129,823, \$1,091,524, and \$794,572, respectively; 92 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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 Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' 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 calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorized 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 Health Care Plan. All benefit recipients pay a monthly premium. By Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The County's contribution for health care for the years ended December 31, 2009, 2008, and 2007 was \$9,608, \$7,766 and \$6,738, respectively; 100 percent 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

13. CAPITAL LEASES

During 2009, the County entered into two new leases for the use of equipment. 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 leases have been recorded as "Other Financing Sources – Inception of Capital Lease" in the basic financial statements for the governmental funds.

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 on all capital leases in 2009 totaled \$188,563 in the governmental funds and \$2,895 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 \$1,054,886, 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, 2009, was \$437,232 and the carrying value was \$617,654. For business-type activities, capital assets have been capitalized in the amount of \$14,478. Accumulated depreciation on these assets at December 31, 2009 was \$5,791 and the carrying value was \$8,687.

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, 2009.

Fiscal Year Ending June 30,	Governmental Activities Amounts	Business-Type Activities Amounts
2010	\$222,204	\$2,895
2011	221,900	2,896
2012	218,539	2,896
2013	6,033	
2014	1,308	
Total	669,984	8,687
Less: Amount Representing Interest	(56,360)	
Present Value of Net Minimum Lease Payments	\$613,624	\$8,687

14. LONG-TERM DEBT OBLIGATIONS

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

	Balance at 12/31/08	Increases	Decreases	Balance at 12/31/09	Due Within One Year
Notes Payable:					
2005 Platvoit Ditch Improvement Special Assessment Note-3.55%	\$ 46,372		\$ 23,185	\$ 23,187	\$23,187
OWDA Loan Payable:					
1992 Meadowlane – 7.62%	17,742		5,485	12,257	2,951
General Obligation Bonds Payable:					
2004 DD Series A Refunding Bonds – 4.75%	137,000		137,000		
2004 DD Series B Refunding Bonds - 4.75%	237,000		237,000		
Total Bonds Payable	374,000		374,000		

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

14. LONG-TERM DEBT OBLIGATIONS (Continued)

Other Long-Term Obligations:

Compensated Absences Payable	1,691,040	\$970,716	926,869	1,734,887	115,698
Obligations Under Capital Lease	776,056	26,131	188,563	613,624	194,551
Total Other Long-Term Obligations	<u>2,467,096</u>	<u>996,847</u>	<u>1,115,432</u>	<u>2,348,511</u>	<u>310,249</u>
Total General Long-Term Obligations	<u>\$2,905,210</u>	<u>\$996,847</u>	<u>\$1,518,102</u>	<u>\$2,383,955</u>	<u>\$336,387</u>

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 DD 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 DD 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 were 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 the Developmental Disabilities 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 2009 were as follows:

	Balance at 12/31/08	Increases	Decreases	Balance at 12/31/09	Due Within One Year
Loans Payable:					
1998 OPWC Loan – 0.00%	\$35,625		\$ 3,750	\$ 31,875	\$ 1,875
1991 OWDA Loan – 7.59%	648,075		312,223	335,852	167,960
2005 OWDA Loan – 3.75%	1,453,561		57,806	1,395,755	29,718
2006 OWDA Loan - 0.00%	611,342		32,176	579,166	16,088
2009 Millcreek Design Loan – 5.27%		\$ 97,204	10,056	87,148	
2009 Millcreek Construction Loan		11,595		11,595	
2009 Kettlersville Design Loan – 0.00%		129,638		129,638	
Total Loans	<u>2,748,603</u>	<u>238,437</u>	<u>416,011</u>	<u>2,571,029</u>	<u>215,641</u>
Other Long-Term Obligations:					
Compensated Absences Payable	327,745	218,862	207,978	338,629	33,211
Obligations Under Capital Lease	11,582		2,895	8,687	2,895
Total Other Long-Term Obligations	<u>339,327</u>	<u>218,862</u>	<u>210,873</u>	<u>347,316</u>	<u>36,106</u>
Total General Long-Term Obligations	<u>\$3,087,930</u>	<u>\$457,299</u>	<u>\$626,884</u>	<u>\$2,918,345</u>	<u>\$251,747</u>

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

14. LONG-TERM DEBT OBLIGATIONS (Continued)

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.

During 2009, three new OWDA loans were issued. These were for the design and construction of the Millcreek Subdivision sewer and the design of the Kettlersville sewer. These loans are not fully disbursed as of December 31, 2009. During 2009, \$10,056 of the Millcreek design loan was rolled into the Millcreek construction loan. These loans will also be paid from operating revenues of the Sewer Fund.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted 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, 2009, are an overall debt margin of \$22,360,989 and an un-voted debt margin of \$9,546,732.

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

Governmental Activities				
Year	Platvoit Ditch Special Assessment Note		General Obligation OWDA Loan	
	Principal	Interest	Principal	Interest
2010	\$23,187	\$80	\$ 2,951	\$ 467
2011			6,128	709
2012			3,178	241
Totals	\$23,187	\$80	\$12,257	\$1,417

Business-Type Activities						
Year	OWDA Loan #1		OWDA Loan #2		OWDA Loan #3	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$167,960	\$12,746	\$ 29,718	\$ 26,170	\$16,088	
2011	167,892	12,814	61,119	50,659	32,176	
2012			63,433	48,345	32,176	
2013			65,833	45,944	32,176	
2014			68,325	43,452	32,176	
2015-2019			382,434	176,453	160,879	
2020-2024			460,503	98,388	160,879	
2025-2028			264,390	15,055	112,616	
Totals	\$335,852	\$25,560	\$1,395,755	\$504,466	\$579,166	\$0

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

14. LONG-TERM DEBT OBLIGATIONS (Continued)

Business-Type Activities		
Year	OPWC Loan	
	Principal	Interest
2010	\$ 1,875	
2011	3,750	
2012	3,750	
2013	3,750	
2014	3,750	
2015-2018	15,000	
Totals	\$31,875	\$0

The Millcreek Sewer design and construction loans and the Kettlersville Sewer design loan have not been fully disbursed, so no amortization schedule is available. Debt service requirements will be presented for these loans upon completion of disbursement.

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, 2009, 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 \$31,150,000 outstanding at December 31, 2009.

During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,690,000 outstanding at December 31, 2009.

During 2002, health care facilities revenue bonds were issued with the principal amount of \$44,325,000 outstanding at December 31, 2009. 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 \$6,385,000, \$2,008,471, and \$1,095,944 outstanding, respectively, at December 31, 2009. 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, 2009, 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 \$102,379 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

15. INTERFUND TRANSACTIONS (Continued)

<u>Interfund Payable</u>	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Auto License/ Gas Fund</u>	<u>DD Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
General Fund			\$ 6,116		\$ 52,956	\$ 59,072
Public Assistance				\$472		472
DD Fund			5,279			5,279
Non-major Governmental						
Governmental	\$38,628	\$140,913	374	413	62,532	242,860
Total	<u>\$38,628</u>	<u>\$140,913</u>	<u>\$11,769</u>	<u>\$885</u>	<u>\$115,488</u>	<u>\$307,683</u>

The additional amount of interfund payables and interfund receivables is due to enterprise funds. The General Fund had an interfund payable to the Sewer Fund of \$57 and Non-major funds had interfund payables to the Fair Haven Fund of \$37,995. The Auto and Gas Fund had an interfund receivable from the Fair Haven Fund of \$31 and an interfund receivable from the Sewer Fund of \$824. Non-major funds had an interfund receivable from the Sewer Fund of \$10,677.

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 \$232,703, which was to subsidize various programs. The DD Fund had transfers out of \$203,000 to the DD Capital Fund to pay some capital expenses. The General Fund had transfers in of \$1,300,000 and the Sewer Fund had transfers in of \$270,000 from the Permanent Improvement Fund to help cover costs for 2009.

The General Fund also had transfers in of \$2,500 each from the Legal Research and Court Computer Funds. The Auto and Gas Fund had transfers in of \$4,903 from the FEMA Fund for its share of the FEMA reimbursements received. Among non-major funds, the Ditch Construction Fund had transfers of \$3,915 to the Ditch Maintenance Fund.

16. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2009, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/09</u>
Choice One Engineering	Kettlersville Sewer Design	\$204,498	(\$145,508)	\$58,990
Medline Industries, Inc.	Furniture - Fairhaven	57,891		57,891
Werling Construction	Private Rehab Project	37,915		37,915

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 DODD 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 the Thomas Edison Center became subject to social security (FICA) coverage due to the Social Security Amendments of 1983. S and H Products operates on a fiscal year which ran from July 1, 2008, to June 30, 2009.

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.

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, 2009, all of the assets of the component unit are unrestricted, except for \$81,116 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, the carrying amount of deposits for S and H Products was \$282,071 and the bank balance was \$285,063.

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, 2009, the government's bank balance of \$285,063 was not exposed to custodial credit risk

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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

As of June 30, 2009, S and H Products had the following investments with maturities less than one year:

<u>Investment Type</u>	<u>Carrying Value</u>
T Rowe Price Equity Income Fund	\$30,231
Managers Fremont Bond Fund	90,294
Fairholme Fund	24,749
Hussman Strategic Growth Fund	25,153
Third Avenue Value Fund	22,822
Dodge and Cox Balanced Fund	66,218
Total	<u>\$259,467</u>

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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 87,218	\$454,570
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	195,103	(195,103)
GASB Statement No. 3	<u>\$282,071</u>	<u>\$259,467</u>

D. Capital Assets

A summary of S and H Products capital assets at June 30, 2009, follows:

Leasehold Improvements	\$17,555
Shop and Office Equipment	160,366
Transportation Equipment	131,908
Total Capital Assets Being Depreciated	<u>309,829</u>
Less Accumulated Depreciation	<u>(228,713)</u>
Total Capital Assets, Net	<u>\$81,116</u>

It is the component unit's policy to capitalize all assets in excess of \$1,000 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 15 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to \$25,379.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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

E. Segment Information

Net working capital for S and H Products was \$558,604. During 2009, S and H Products acquired capital assets in the amount of \$5,666. 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&H Products during fiscal year 2009. S&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 DODD. In other transactions with Shelby County, S&H Products received \$1,105 for the year ended June 30, 2009 for goods and services. Additionally, S&H Products had sales of \$14,053 during the fiscal year ended June 30, 2009, to three companies that employ two S&H Products' board members and one S&H Products' officer, with accounts receivable of \$693 at June 30, 2009.

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 townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2009, the County contributed \$70,973 (61 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

18. JOINT VENTURES (Continued)

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 2009, County contributed \$29,750 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 2009, a tax levy provided \$491,107 (24 percent of total tax revenue) for the operations of the organization.

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 Developmental Disabilities of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating Boards of Developmental Disabilities. During 2009, the Counties Board allocated payments to WestCON were \$431,996.

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 2009, 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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

20. RELATED ORGANIZATION

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 2009, the County did not have any financial contributions to the operation of the SMHA.

21. INSURANCE POOLS

During 2009, the County participated 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 2009, the County contributed \$60,183 to the operation of the CCAOSC. The County was required to pay an additional \$101,851 for 2009 after year-end, which is included in accounts payable on the financial statements.

22. RISK SHARING POOLS

A. Mid West Pool Risk Management Agency, Inc.

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

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

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

22. RISK SHARING POOLS

B. Midwest Employee Benefit Consortium

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

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

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 Developmental Disabilities, whereby the Board of Developmental Disabilities provides sheltered employment for developmentally disabled individuals in Shelby County. The Board of Developmental Disabilities 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 2009, 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 Developmental Disabilities has entered into a contractual agreement with Residential Services Support, Inc (RSSI), a non-profit organization, to provide housing for persons with developmental disabilities.

Shelby County Board of Developmental Disabilities receives Community Capital Assistance funding through the State of Ohio for purchase, renovation, and construction of facilities for housing of individuals served through Board programs. The Board provides RSSI with the awarded community capital assistance funding in order for RSSI to secure a property for purchase. The Board 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 Board 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, 2009, RSSI managed nine properties on behalf of Shelby County Board of Developmental Disabilities. There are no outstanding mortgages on any of these properties. The total amount of Community Capital Assistance funding passed through to RSSI during 2009 was \$90,024.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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. SUBSEQUENT EVENTS

On February 2, 2010, the County issued \$326,000 in bonds for the purpose of acquiring, and constructing various storm sewer improvements for the Millcreek Subdivision. The bonds carry an interest rate of 3.27 percent and have final maturity on January 15, 2015. They will be repaid with operating revenues of the Sewer Fund.

This page intentionally left blank.

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grant	B-C-07-070-1	14.228	\$63,751
	B-F-07-070-1		71,500
	B-F-08-070-1		83,000
			<u>218,251</u>
Home Investment Partnership Program	B-C-07-070-2	14.239	140,290
Total U.S. Department of Housing and Urban Development			<u>358,541</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Highway Safety Cluster			
State and Community Highway Safety	HVEO-2010-75-00-00-00295-00	20.600	194
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2010-75-00-00-00295-00	20.601	130
Total Highway Safety Cluster			<u>324</u>
Victims of Crime Act	2009VAGENE421	16.575	16,246
Victims of Crime Act	2010VAGENE421	16.575	5,955
			<u>22,201</u>
Violence Against Women Formula Grant - ARRA	2009-AR/VA5-12000	16.588	28,165
State Victim Assistance Formula Grant Program - ARRA	2009VAGENE824X	16.801	21,592
Edward Byrne Memorial Justice Assistance - Probation Project - ARRA	2009-RA-D01-2239	16.803	4,560
Total U.S. Department of Justice			<u>76,842</u>
U.S. DEPARTMENT OF EDUCATION			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-10P	84.173	17,846
	071159-PG-SI-09P		32,724
Total Special Education Preschool Grants			<u>50,570</u>
Title V - Innovative Educational Program Strategies	071159-PG-S1-09P	84.298	119
Total U.S. Department of Education			<u>50,689</u>
U.S. DEPARTMENT OF LABOR			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
<i>(Passed through Workforce Area 7)</i>			
Workforce Investment Act Cluster			
Workforce Investment Act-Adult	N/A	17.258	55,847
Workforce Investment Act - Adult - ARRA	N/A	17.258	21,679
Workforce Investment Act-Adult Administrative	N/A	17.258	2,163
Workforce Investment Act-Adult Total			<u>79,689</u>
Workforce Investment Act-Youth	N/A	17.259	58,269
Workforce Investment Act - Youth - ARRA	N/A	17.259	93,169
Workforce Investment Act-Youth Administrative	N/A	17.259	4,581
Workforce Investment Act - Youth Administration - ARRA	N/A	17.259	517
Workforce Investment Act-Youth Total			<u>156,536</u>
Workforce Investment Act-Dislocated	N/A	17.260	213,393
Workforce Investment Act-Dislocated - ARRA	N/A	17.260	40,595
Workforce Investment Act-Dislocated Administrative	N/A	17.260	5,434
Workforce Investment Act-Dislocated Total			<u>259,422</u>
Total Workforce Investment Act Cluster			<u>495,647</u>
Total U.S. Department of Labor			<u>495,647</u>
FEDERAL HIGHWAY ADMINISTRATION			
<i>(Passed through the Ohio Department of Transportation)</i>			
Highway Planning and Construction - ARRA	22204/84940-1	20.205	59,670

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Promoting Safe and Stable Families	G-1101-11-5113/G-89-20-1146	93.556	41,626
Child Support Enforcement - Title IV-D	G-1101-11-5113/G-89-20-1146	93.563	221,878
Child Support Enforcement - Title IV-D - ARRA	G-1101-11-5113/G-89-20-1146	93.563	195,709
			<u>417,587</u>
Child Welfare Services State Grants - Title IV-B	G-1101-11-5113/G-89-20-1146	93.645	44,765
Foster Care Independence Program - Chaffee	G-1101-11-5113/G-89-20-1146	93.674	1,107
Temporary Assistance for Needy Families (TANF) State Programs	G-1101-11-5113/G-89-20-1146	93.558	1,929,579
Child Abuse and Neglect	G-1101-11-5113/G-89-20-1146	93.669	1,827
Foster Care - Title IV-E	G-1101-11-5113/G-89-20-1146	93.658	86,276
Foster Care - Title IV-E - ARRA	G-1101-11-5113/G-89-20-1146	93.658	4,868
			<u>91,144</u>
Medical Assistance Program (Medicaid) <i>(Passed Through Ohio Department of Development Disabilities):</i>	G-1101-11-5113/G-89-20-1146	93.778	300,639
Medical Assistance Program	7500010	93.778	6,567
Medical Assistance Program -ARRA	7500010	93.778	98,828
			<u>406,034</u>
Adoption Assistance - Title IV-E	G-1101-11-5113/G-89-20-1146	93.659	146,056
Adoption Assistance - Title IV-E - ARRA	G-1101-11-5113/G-89-20-1146	93.659	2,576
			<u>148,632</u>
Supplemental Nutrition Assistance Program	G-1101-11-5113/G-89-20-1146	10.551	715
Supplemental Nutrition Assistance Program Matching Grants - ARRA	G-1101-11-5113/G-89-20-1146	10.561	18,955
Supplemental Nutrition Assistance Program Matching Grants	G-1101-11-5113/G-89-20-1146	10.561	212,199
			<u>231,869</u>
Social Services Block Grant <i>(Passed Through Ohio Department of Development Disabilities):</i>	G-1101-11-5113/G-89-20-1146	93.667	426,459
Social Services Block Grant	MR-75-FY09	93.667	41,975
			<u>468,434</u>
Child Care Block Grant Cluster			
Mandatory and Matching Funds of Child Care and Development Grant	G-1101-11-5113/G-89-20-1146	93.596	166,894
Child Care and Development Block Grant	G-1101-11-5113/G-89-20-1146	93.575	58,015
Child Care and Development Block Grant (ARRA)	G-1101-11-5113/G-89-20-1146	93.713	71,279
Total Child Care Block Grant Cluster			<u>296,188</u>
<i>(Passed Through Ohio Department of Aging):</i>			
<i>(Passed Through Area Agency on Aging):</i>			
<i>Special Programs for the Aging - Title III, Part B</i>			
- Grants for Supportive Services and Senior Centers	N/A	93.044	38,891
Special Programs for the Aging - Title III, Part C - Nutrition Services	N/A	93.045	71,795
Nutrition Services Incentive Program	N/A	93.053	12,005
Aging Home-Delivered Nutrition Services for States - ARRA	N/A	93.705	3,120
Aging Congregate Nutrition Services for States - ARRA	N/A	93.707	4,020
Total Aging Cluster			<u>129,831</u>
<i>(Passed through the Ohio Secretary of State)</i>			
Voting Access for Individuals with Disabilities Grants to States	N/A	93.617	645
Total U.S. Department of Health and Human Services			<u>4,209,268</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>(Passed through the Ohio Department of Public Safety)</i>			
Disaster Grants - Public Assistance	FEMA-1805-DR-149UBUHL	97.036	4,903
Disaster Grants - Public Assistance	FEMA-1805-DR-149-U5NFZ	97.036	1,946
			<u>6,849</u>
Total			<u><u>\$5,257,506</u></u>

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

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— SUB-RECIPIENTS

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

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

NOTE C— HOME INVESTMENT PARTNERSHIP PROGRAM (HIPP) 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 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 Schedule reports loans made and administrative costs as disbursements. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the HIPP revolving loan fund during 2009 is as follows:

Beginning Loans Receivable Balance as of January 1, 2009	\$981,531
Loans Made	179,190
Loan Principal Repaid	(25,363)
Declining Balance Loan Forgiveness	(106,255)
Ending Loans Receivable Balance as of December 31, 2009	<u>\$1,029,103</u>
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$79,008
Administrative costs expended during 2009	\$1,224

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.

**SHELBY COUNTY FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2009, the County made allowable transfers of \$223,730 from the Temporary Assistance for Needy Families (TANF) (93.558) program to the Social Services Block Grant (SSBG) (93.667) program. The Schedule shows the County spent \$1,929,579 on the TANF program. The amount reported for the TANF program on the Schedule excludes the amount transferred to the SSBG program. The amount transferred to the SSBG program is included as SSBG expenditures when disbursed. The following table shows the gross amount drawn for the TANF program during fiscal year 2009 and the amount transferred to the Social Services Block Grant program.

Temporary Assistance for Needy Families	\$ 2,153,309
Transfer to Social Services Block Grant	<u>(223,730)</u>
Total Temporary Assistance for Needy Families	<u>\$ 1,929,579</u>



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*

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2010. Our report refers to 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 the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the discretely presented component unit, as disclosed in our report 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated June 29, 2010.

We intend this report solely for the information and use of management, the audit committee, Board of County Commissioners, federal awarding agencies and pass thru entities, and others within the County. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 29, 2010



Mary Taylor, CPA

Auditor of State

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

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, 2009. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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.

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009.

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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated June 29, 2010.

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



Mary Taylor, CPA
Auditor of State

June 29, 2010

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

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 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?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act Cluster CFDA #17,258,17.259,17.260; Temporary Assistance for Needy Families 93.558; Medicaid (DJFS and DODD) CFDA#93.778; Social Services Block Grant CFDA#93.667; Title IV-D CFDA#93.563
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	<p>Workforce Investment Act Cluster (CFDA: 17.258, 17.259, 17.260)</p> <p>29 CFR 97.20 (b)(7) and 29 CFR 97.21 (b) Cash management regarding time elapsing between the transfer of funds and disbursement by the grantee.</p>	Yes	



Mary Taylor, CPA
Auditor of State

SHELBY COUNTY FINANCIAL CONDITION

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2010**