



Dave Yost • Auditor of State

**FINANCIAL CONDITION
SHELBY COUNTY**

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Dave Yost • 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S&H Products, which represents 100% of the assets, liabilities, net assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the County, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Ohio, as of December 31, 2011, 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, and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in restatement of prior year fund balances. In addition, net assets for the business type activities and Sewer fund were restated for prior year corrections. \

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the 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. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 7, 2012

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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, 2011.

FINANCIAL HIGHLIGHTS

The County's total net assets decreased \$3,721,783 during 2011. Net assets of governmental activities decreased \$3,548,801 (approximately 3 percent). The decrease is due mostly to depreciation on capital assets (largely infrastructure) taken during 2011. Net assets of business-type activities decreased by \$172,982 (about 1 percent).

The General Fund transfers out equaled \$164,765, all of which was to subsidize various programs of the non-major governmental funds.

Business-type operations showed total operating revenue of \$8,523,079 and total operating expenses of \$9,135,185 for an operating loss of \$612,106. Total business-type unrestricted net assets were \$1,906,448. This total includes \$2,094,175 for the Fair Haven Fund, (\$297,305) for the Sewer Fund, and \$109,578 for the Recycling Fund.

Capital assets, net of accumulated depreciation, decreased \$4,666,448 for governmental activities. This was due to depreciation expense being higher than the additions to capital assets for the year.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE COUNTY AS A WHOLE

Statement of Net Assets and the Statement of Activities

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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 General, Public Assistance, Auto License and Gas, Developmental Disabilities, Fair Haven, and Sewer.

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

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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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 2011 compared to 2010.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$ 32,434,418	\$ 31,714,992	\$ 4,086,882	\$ 4,550,185	\$ 36,521,300	\$ 36,265,177
Capital Assets	82,372,043	87,038,491	11,302,475	10,847,548	93,674,518	97,886,039
Total Assets	114,806,461	118,753,483	15,389,357	15,397,733	130,195,818	134,151,216
Liabilities:						
Long-Term Liabilities:						
Due within One Year	424,286	424,792	99,551	119,044	523,837	543,836
Due in More Than One Year	1,632,931	1,927,448	2,975,968	2,854,113	4,608,899	4,781,561
Other Liabilities	7,628,040	7,731,238	807,574	745,330	8,435,614	8,476,568
Total Liabilities	9,685,257	10,083,478	3,883,093	3,718,487	13,568,350	13,801,965
Net Assets:						
Invested in Capital Assets, Net of Related Debt	82,156,092	86,619,418	9,599,816	9,118,047	91,755,908	95,737,465
Restricted for:						
Other Purposes	19,067,915	18,301,346			19,067,915	18,301,346
Capital Outlay	2,136,017	2,015,860			2,136,017	2,015,860
Unrestricted	1,761,180	1,733,381	1,906,448	2,561,199	3,667,628	4,294,580
Total Net Assets	\$105,121,204	\$108,670,005	\$11,506,264	\$11,679,246	\$116,627,468	\$120,349,251

The increase in the current assets of the governmental activities was mostly due to an increase in cash balances of \$644,932. The cash balances of the General Fund and the Public Assistance Fund were able to be increased through very strict monitoring of and cutting of expenditures as reduced revenues were faced. The General Fund was also subsidized by a transfer from the Permanent Improvement Fund, so capital improvements were limited.

The decrease in capital assets of the governmental activities and the corresponding decrease in Net Assets, Invested in Capital Assets Net of Related Debt, was due to depreciation and deletions of assets being higher than additions for the year. The depreciation is mostly from the infrastructure assets.

The decrease in long-term liabilities of the governmental activities was due to the capital lease and bond payments made during the year.

The decrease in the current assets of the enterprise activities was due mostly to a decrease in cash balances, along with decreases in accounts receivable and loans receivable. Cash balances of the Recycling Enterprise Fund decreased because the County turned over the operation of the Recycling Center to a third party on April 1, 2011. The County receives rent payments from the operator, and these are deposited into the General Fund. This is also the reason for the decrease in accounts receivable of the enterprise activities. The loan receivable decreased in the Sewer Fund due to payments from the Village of Fort Loramie.

The increase in the capital assets of the enterprise activities was due mostly to the Ketterville Sewer construction project. This is recorded as construction in progress on the financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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The increase in the long-term liabilities of the enterprise funds was due to the additional OWDA, OPWC, and USDA loan disbursements made during 2011 for the Kettlersville sewer project.

Total net assets decreased \$3,721,783. Net assets of the County's governmental activities decreased by \$3,548,801, with unrestricted net assets increasing \$27,799.

The net assets of the County's business-type activities decreased by \$172,982.

Table 2 shows the changes in net assets for the year ended December 31, 2011, as compared with the year ended December 31, 2010.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$6,237,970	\$7,119,063	\$8,471,289	\$9,557,916	\$14,709,259	\$16,676,979
Operating Grants, Contributions and Interest	11,391,380	12,097,805			11,391,380	12,097,805
Capital Grants & Contributions	653	119,979	480,642	200,820	481,295	320,799
Total Program Revenues	17,630,003	19,336,847	8,951,931	9,758,736	26,581,934	29,095,583
General Revenues:						
Property and Other Taxes	6,077,346	6,162,938			6,077,346	6,162,938
Permissive Sales Tax	7,518,454	6,893,973			7,518,454	6,893,973
Grants and Entitlements	3,837,378	4,381,876			3,837,378	4,381,876
Interest	200,139	155,109	105		200,244	155,109
Other	11,022	25,274	51,790	49,974	62,812	75,248
Total General Revenues	17,644,339	17,619,170	51,895	49,974	17,696,234	17,669,144
Total Revenues	35,274,342	36,956,017	9,003,826	9,808,710	44,278,168	46,764,727
Program Expenses:						
General Government:						
Legislative and Executive	4,634,948	4,884,850			4,634,948	4,884,850
Judicial	2,513,508	2,559,637			2,513,508	2,559,637
Public Safety	5,000,493	5,191,064			5,000,493	5,191,064
Public Works	11,583,223	10,731,986			11,583,223	10,731,986
Health	218,795	242,250			218,795	242,250
Human Services	14,181,595	14,202,345			14,181,595	14,202,345
Economic Development & Asst	442,470	372,597			442,470	372,597
Intergovernmental	238,219	292,541			238,219	292,541
Interest and Fiscal Charges	27,892	38,965			27,892	38,965
Fair Haven			7,815,896	8,302,752	7,815,896	8,302,752
Sewer			1,158,582	1,046,397	1,158,582	1,046,397
Recycling			184,330	305,624	184,330	305,624
Total Expenses	38,841,143	38,516,235	9,158,808	9,654,773	47,999,951	48,171,008
Increase(Decrease) in Net Assets Before Transfers	(3,566,801)	(1,560,218)	(\$ 154,982)	153,937	(3,721,783)	(1,406,281)
Transfers	18,000	(275,000)	(18,000)	275,000		
Increase (Decrease) in Net Assets	(\$3,548,801)	(\$1,835,218)	(\$172,982)	\$ 428,937	(\$ 3,721,783)	(\$1,406,281)

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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(Continued)**

Governmental Activities

Grants and entitlements is the largest source of revenue for Shelby County. This makes up approximately 43% of total revenues of governmental activities for 2011. Program specific grants and entitlements made up 32% of this and unrestricted grants and entitlements made up 11%. The major recipients of the restricted grants and entitlements were the Public Assistance, Auto License and Gas, and Developmental Disabilities Funds.

Permissive sales tax is the next largest source of revenue for the County, making up 21% of total revenues. Sales tax revenue increased 9% from 2010 to \$7,518,454.

The County's direct charges to users of governmental services made up around 18% of total governmental revenues for 2011. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, Sheriffs' fees, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges. This revenue decreased 12% from 2010 due largely to a decrease in Sheriffs' fees as a result of the County not getting as many federal prisoners.

Property and other taxes made up about 17% of total revenues for 2011.

The remaining revenue of less than one percent was from interest and miscellaneous revenues.

Human services programs accounted for approximately 37% of total expenses for governmental activities. Public works makes up approximately 30% of total expenses. Other major program expenses for governmental activities include public safety programs and general government legislative and executive, which accounted for 13% and 12% of total expenses, respectively. Expenditures of many programs were cut during 2011 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 2.3 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. These capital improvements were reduced over prior years in order to assure all operations expenditures were covered.

Business-Type Activities

The net assets for business-type activities decreased by \$172,982 during 2011. Charges for services were the largest revenue source, accounting for 94% of total business-type activities revenues. This revenue decreased due to lower census at the Fair Haven County Home and due to the renting out of the Recycling Center facility. During 2011, the business-type activities received capital grants and contributions in the form of Issue II grant monies for the Ketersville Sewer project, which was 5% of total business-type activities revenue. The remaining 1% 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 2011 and 2010. 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, 2011
UNAUDITED
(Continued)**

Table 3

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 4,634,948	\$ 2,187,109	\$ 4,884,850	\$ 2,429,879
Judicial	2,513,508	1,461,569	2,559,637	1,244,459
Public Safety	5,000,493	4,167,375	5,191,064	4,007,889
Public Works	11,583,223	6,494,656	10,731,986	5,470,059
Health	218,795	85,420	242,250	134,315
Human Services	14,181,595	6,394,011	14,202,345	5,578,657
Economic Development and Assistance	442,470	209,641	372,597	30,481
Intergovernmental	238,219	183,467	292,541	244,684
Interest and Fiscal Charges	27,892	27,892	38,965	38,965
Total Expenses	<u>\$38,841,143</u>	<u>\$21,211,140</u>	<u>\$38,516,235</u>	<u>\$19,179,388</u>

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

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

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,491,637 and expenditures of \$35,667,053.

The General Fund is the chief operating fund of the County. At the end of the current year, unassigned fund balance of the General Fund was \$944,377 while total fund balance was \$1,250,152, an increase of \$28,859 from the prior year. The Public Assistance Fund balance increased \$77,478 and the Auto License and Gas Fund balance increased \$491,210, due to the normal operations of the fund and the timing of receipts and project disbursements.

The Developmental Disabilities fund balance increased \$187,305.

The enterprise funds reflect an operating loss for 2011. The Recycling Fund shows an operating loss of \$62,485. Beginning April 1, 2011, the County rented out the recycling center to a third party to operate. Rental payments are credited to the General Fund. Fair Haven had an operating loss of \$167,878. The census at the home was low during 2011, so the revenues and expenditures were lower during 2011. The Sewer Fund had an operating loss of \$381,743; however, the Sewer Fund received \$456,473 in capital grants for the Kettlersville sewer project, which are reported as non-operating revenues.

**FINANCIAL CONDITION
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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(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 2011, the General Fund had original appropriations of \$11,456,263 and final appropriations of \$11,749,786. Actual expenditures plus encumbrances for 2011 were \$11,481,184.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Land	\$ 2,363,513	\$ 2,363,513	\$ 458,746	\$ 458,746
Construction in Progress			929,628	595,042
Buildings	15,961,087	16,644,524	1,732,427	1,811,911
Equipment	339,295	425,884	27,182	31,182
Furniture and Fixtures	32,091	40,310		
Vehicles	2,154,396	2,402,058	53,332	23,588
Infrastructure	61,521,661	65,162,202	8,101,160	7,927,079
Totals	\$82,372,043	\$87,038,491	\$11,302,475	\$10,847,548

See Note 9 of the notes to the basic financial statements for more detailed capital asset information.

Debt

At December 31, 2011, Shelby County had \$470,098 in long-term governmental debt outstanding, and \$2,714,374 in long-term enterprise debt.

**Table 5
Outstanding Debt at Year End**

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
General Obligation Bonds	\$254,147	\$319,347		
Loans Payable		6,353	\$2,711,478	\$2,591,955
Capital Leases	215,951	419,073	2,896	5,791
Totals	\$470,098	\$744,773	\$2,714,374	\$2,597,746

The general obligation bonds are being paid through the Bond Retirement Debt Service Fund using payments from Clinton Township. Clinton Township installed a storm sewer in the Millcreek Subdivision and the County issued the bonds for them, but Clinton Township is repaying them.

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**MANAGEMENTS' DISCUSSION AND ANALYSIS
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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 \$22,521,586 as of December 31, 2011. The more restrictive unvoted legal debt margin was \$9,474,475 as of the same date.

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. In addition, the Village of Fort Loramie is making payments to contribute a portion of the funds for paying off the Fort Loramie Flow Equalization Project OWDA Loan. Obligations under capital leases will be paid from the County Home fund's operating revenues.

See Note 15 of the notes to the basic financial statements for more detailed information on the County's outstan

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 Dennis York, County Auditor, Shelby County, 129 East Court Street, Sidney, Ohio 45365.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	S and H Products
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$15,834,492	\$1,963,162	\$17,797,654	
Cash and Cash Equivalents in Segregated Accounts	147,060	7,165	154,225	\$110,973
Investments in Segregated Accounts				526,709
Cash and Cash Equivalents with Fiscal Agent	2,036,435		2,036,435	2,948
Accrued Interest Receivable	14,858		14,858	
Permissive Sales Tax Receivable	1,258,627		1,258,627	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	741,195	765,244	1,506,439	33,985
Inventory of Supplies and Materials	342,031	7,129	349,160	
Due from Other Governments	4,291,856	445,370	4,737,226	
Property and Other Taxes Receivable	6,266,243		6,266,243	
Prepaid Items	137,029	4,635	141,664	
Notes Receivable	1,028,046		1,028,046	
Special Assessments Receivable	314,046	66,404	380,450	
Loans Receivable	22,500	827,773	850,273	
Depreciable Capital Assets, Net	80,008,530	9,914,101	89,922,631	46,452
Capital Assets, Not Being Depreciated	2,363,513	1,388,374	3,751,887	
Total Assets	114,806,461	15,389,357	130,195,818	721,067
Liabilities:				
Accounts Payable	273,737	167,913	441,650	2,161
Contracts Payable	1,144	208,528	209,672	
Retainage Payable		55,502	55,502	
Accrued Wages Payable	573,909	225,765	799,674	8,842
Due to Other Governments	615,498	149,866	765,364	3,373
Accrued Interest Payable	4,007		4,007	
Matured Compensated Absences Payable	32,850		32,850	
Deferred Revenue	6,126,895		6,126,895	
Long Term Liabilities:				
Due Within One Year	424,286	99,551	523,837	
Due in More Than One Year	1,632,931	2,975,968	4,608,899	
Total Liabilities	9,685,257	3,883,093	13,568,350	14,376
Net Assets:				
Invested in Capital Assets, Net of Related Debt	82,156,092	9,599,816	91,755,908	46,452
Restricted for:				
Other Purposes	19,067,915		19,067,915	
Capital Outlay	2,136,017		2,136,017	
Unrestricted	1,761,180	1,906,448	3,667,628	660,239
Total Net Assets	\$105,121,204	\$11,506,264	\$116,627,468	\$706,691

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,634,948	\$2,408,894	\$38,945	
Judicial	2,513,508	643,189	408,750	
Public Safety	5,000,493	543,230	289,888	
Public Works	11,583,223	832,432	4,255,482	\$653
Health	218,795	128,082	5,293	
Human Services	14,181,595	1,627,391	6,160,193	
Economic Development and Assistance	442,470		232,829	
Intergovernmental	238,219	54,752		
Interest and Fiscal Charges	27,892			
Total Governmental Activities	38,841,143	6,237,970	11,391,380	653
Business-type activities:				
Fair Haven	7,815,896	7,622,375		6,419
Sewer	1,158,582	753,216		474,223
Recycling	184,330	95,698		
Total business-type activities	9,158,808	8,471,289		480,642
Total primary government	\$47,999,951	\$14,709,259	\$11,391,380	\$481,295
Component Unit:				
S and H Products	\$289,510	\$200,802	\$81,543	

General Revenues:

Property Taxes Levied for:

General Purposes

Other Purposes

County Permissive Motor Vehicle License Taxes Levied for Public Works

Permissive Sales Taxes Imposed for:

General Purposes

Permanent Improvements

Public Works

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Increase in Fair Value of Investments

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated - Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	S and H Products
(\$2,187,109)		(\$2,187,109)	
(1,461,569)		(1,461,569)	
(4,167,375)		(4,167,375)	
(6,494,656)		(6,494,656)	
(85,420)		(85,420)	
(6,394,011)		(6,394,011)	
(209,641)		(209,641)	
(183,467)		(183,467)	
(27,892)		(27,892)	
<u>(21,211,140)</u>		<u>(21,211,140)</u>	
	(187,102)	(187,102)	
	68,857	68,857	
	(88,632)	(88,632)	
	<u>(206,877)</u>	<u>(206,877)</u>	
<u>(21,211,140)</u>	<u>(206,877)</u>	<u>(21,418,017)</u>	
			(\$7,165)
1,886,093		1,886,093	
4,043,304		4,043,304	
147,949		147,949	
3,761,045		3,761,045	
1,245,983		1,245,983	
2,511,426		2,511,426	
3,837,378		3,837,378	
142,654	105	142,759	46,407
57,485		57,485	
11,022	51,790	62,812	2,575
18,000	(18,000)		
<u>17,662,339</u>	<u>33,895</u>	<u>17,696,234</u>	<u>48,982</u>
(3,548,801)	(172,982)	(3,721,783)	41,817
<u>108,670,005</u>	<u>11,679,246</u>	<u>120,349,251</u>	<u>664,874</u>
<u>\$105,121,204</u>	<u>\$11,506,264</u>	<u>\$116,627,468</u>	<u>\$706,691</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Public Assistance	Auto License and Gas
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$912,042	\$395,112	\$5,180,683
Cash and Cash Equivalents in Segregated Accounts	27,678		
Cash and Cash Equivalents with Fiscal Agents			
Receivables:			
Property and Other Taxes	2,000,437		14,650
Permissive Sales Tax	629,320		419,533
Accounts (Net, where applicable, of Uncollectible Accounts)	429,826	5,800	26,343
Interfund	14,761	86,309	9,909
Special Assessments			
Accrued Interest	14,858		
Due from Other Governments	864,900	113,802	2,193,354
Prepaid Items	52,651	45,225	3,375
Inventory of Supplies and Materials	64,892	1,637	270,422
Notes Receivable			
Loans Receivable	22,500		
Total Assets	5,033,865	647,885	8,118,269
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$93,491	\$28,153	\$54,036
Contracts Payable			
Accrued Wages Payable	263,684	59,079	49,896
Due to Other Governments	233,834	118,705	55,205
Interfund Payable	127,376		
Matured Compensated Absences Payable		14,470	18,380
Deferred Revenue	3,065,328	86,787	1,494,208
Total Liabilities	3,783,713	307,194	1,671,725
Fund Balances:			
Non-spendable	191,755	46,862	273,797
Restricted		293,829	6,172,747
Committed			
Assigned	114,020		
Unassigned	944,377		
Total Fund Balances	1,250,152	340,691	6,446,544
Total Liabilities and Fund Balances	\$5,033,865	\$647,885	\$8,118,269

See accompanying notes to the basic financial statements.

Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$5,192,401	\$4,154,254	\$15,834,492
110,630	8,752	147,060
2,036,435		2,036,435
4,251,156		6,266,243
	209,774	1,258,627
27,819	251,407	741,195
	169,819	280,798
	314,046	314,046
		14,858
864,949	254,851	4,291,856
12,576	23,202	137,029
5,080		342,031
	1,028,046	1,028,046
		22,500
<u>12,501,046</u>	<u>6,414,151</u>	<u>32,715,216</u>
\$27,282	\$70,775	\$273,737
	1,144	1,144
163,593	37,657	573,909
146,315	61,439	615,498
9,137	144,285	280,798
		32,850
<u>4,914,480</u>	<u>713,154</u>	<u>10,273,957</u>
<u>5,260,807</u>	<u>1,028,454</u>	<u>12,051,893</u>
17,656	857,212	1,387,282
7,108,446	4,515,494	18,090,516
114,137	23,335	137,472
		114,020
	(10,344)	934,033
<u>7,240,239</u>	<u>5,385,697</u>	<u>20,663,323</u>
<u>\$12,501,046</u>	<u>\$6,414,151</u>	<u>\$32,715,216</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

Total Governmental Fund Balances	\$20,663,323
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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.	82,372,043
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property and Other Taxes	\$198,649	
Intergovernmental	3,017,673	
Accounts Receivable	634,406	
Special Assessments	287,578	
Interest	8,756	
	4,147,062	
Total		4,147,062

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	(4,007)	
General Obligation Bonds	(254,147)	
Capital Leases	(215,951)	
Compensated Absences	(1,587,119)	
	(2,061,224)	
Total		(2,061,224)

Net Assets of Governmental Activities	<u>\$105,121,204</u>
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See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>
Revenues:			
Property and Other Taxes	\$1,883,790		\$147,949
Permissive Sales Tax	3,761,045		2,511,426
Intergovernmental	2,017,871	\$2,881,444	4,260,232
Charges for Services	2,458,699	547,813	371,572
Licenses and Permits	1,500		
Fines and Forfeitures	148,293		
Special Assessments			
Interest	142,270		3,880
Increase in Fair Value of Investments	57,485		
Contributions and Donations			
Other	143,305	169,266	35,091
Total Revenues	<u>10,614,258</u>	<u>3,598,523</u>	<u>7,330,150</u>
Expenditures:			
Current:			
General Government:			
Legislative and Executive	3,750,106		
Judicial	1,956,960		
Public Safety	4,040,299		
Public Works	682,669		6,857,480
Health	104,175		
Human Services	609,306	3,518,640	
Economic Development and Assistance			
Intergovernmental	238,219		
Capital Outlay			
Debt Service:			
Principal Retirement	6,338	2,036	
Interest and Fiscal Charges	640	379	
Total Expenditures	<u>11,388,712</u>	<u>3,521,055</u>	<u>6,857,480</u>
Excess of Revenues Over (Under) Expenditures	<u>(774,454)</u>	<u>77,468</u>	<u>472,670</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	2,688		18,540
Transfers - In	965,390		
Transfers - Out	(164,765)		
Total Other Financing Sources (Uses)	<u>803,313</u>		<u>18,540</u>
Net Change in Fund Balances	28,859	77,468	491,210
Fund Balances Beginning of Year - Restated (Note 3)	<u>1,221,293</u>	<u>263,223</u>	<u>5,955,334</u>
Fund Balances End of Year	<u>\$1,250,152</u>	<u>\$340,691</u>	<u>\$6,446,544</u>

See accompanying notes to the basic financial statements.

Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
\$4,042,023		\$6,073,762
	\$1,245,983	7,518,454
4,061,841	1,855,547	15,076,935
208,017	1,297,478	4,883,579
	120,245	121,745
	151,587	299,880
	291,593	291,593
8		146,158
		57,485
6,435		6,435
195,926	257,545	801,133
<u>8,514,250</u>	<u>5,219,978</u>	<u>35,277,159</u>
	652,426	4,402,532
	493,229	2,450,189
	545,369	4,585,668
	321,969	7,862,118
	113,309	217,484
8,064,438	1,566,553	13,758,937
	438,675	438,675
		238,219
	247,652	247,652
194,748	71,553	274,675
17,759	9,971	28,749
<u>8,276,945</u>	<u>4,460,706</u>	<u>34,504,898</u>
<u>237,305</u>	<u>759,272</u>	<u>772,261</u>
	13,095	34,323
	214,765	1,180,155
(50,000)	(947,390)	(1,162,155)
<u>(50,000)</u>	<u>(719,530)</u>	<u>52,323</u>
187,305	39,742	824,584
7,052,934	5,345,955	19,838,739
<u>\$7,240,239</u>	<u>\$5,385,697</u>	<u>\$20,663,323</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**RECONCILIATION OF THE STATEMENT OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net Change in Fund Balances - Total Governmental Funds		\$824,584
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital Outlay	\$2,304,552	
Depreciation	<u>(6,903,669)</u>	
Excess of Capital Outlay over Depreciation Expense		(4,599,117)
<p>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:</p>		
Proceeds from Sale of Assets	(34,323)	
Loss on Sale of Assets	<u>(33,008)</u>	
		(67,331)
<p>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:</p>		
General Obligation Bond Principal Payments	65,200	
OWDA Loan Principal Payments	6,353	
Capital Lease Principal Payments	<u>203,122</u>	
		274,675
<p>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:</p>		
Property and Other Taxes	3,584	
Intergovernmental	(21,171)	
Charges for Services	37,704	
Fines and Forfeitures	(29,371)	
Licenses and Permits	225	
Other Revenue	8,261	
Special Assessments	(2,432)	
Interest	<u>384</u>	
		(2,816)
<p>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:</p>		
Decrease in Accrued Interest	857	
Decrease in Compensated Absences	<u>20,347</u>	
		<u>21,204</u>
Change in Net Assets of Governmental Activities		<u><u>(\$3,548,801)</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$1,881,500	\$1,881,500	\$1,881,391	(\$109)
Permissive Sales Tax	3,400,000	3,400,000	3,645,154	245,154
Intergovernmental	1,986,241	1,986,241	2,064,785	78,544
Charges for Services	2,323,000	2,323,000	2,171,445	(151,555)
Licenses and Permits	2,000	2,000	1,475	(525)
Fines and Forfeitures	175,000	175,000	144,824	(30,176)
Interest	175,000	175,000	183,717	8,717
Other	133,750	145,505	109,286	(36,219)
Total Revenues	10,076,491	10,088,246	10,202,077	113,831
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,547,125	3,760,201	3,599,964	160,237
Judicial	1,982,000	2,006,182	1,991,778	14,404
Public Safety	3,986,792	4,065,142	4,063,909	1,233
Public Works	747,777	768,075	706,374	61,701
Health	103,991	103,155	103,054	101
Human Services	632,481	630,195	602,649	27,546
Intergovernmental	150,000	239,665	238,219	1,446
Total Expenditures	11,150,166	11,572,615	11,305,947	266,668
Excess of Revenues Under Expenditures	(1,073,675)	(1,484,369)	(1,103,870)	380,499
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			2,688	2,688
Advances In	13,500	79,135	79,635	500
Advances Out		(10,472)	(10,472)	
Transfers - In	800,000	1,017,388	1,017,388	
Transfers - Out	(306,097)	(166,699)	(164,765)	1,934
Total Other Financing Sources (Uses)	507,403	919,352	924,474	5,122
Net Change in Fund Balance	(566,272)	(565,017)	(179,396)	385,621
Fund Balance Beginning of Year	483,076	483,076	483,076	
Prior Year Encumbrances Appropriated	84,832	84,832	84,832	
Fund Balance End of Year	\$1,636	\$2,891	\$388,512	\$385,621

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PUBLIC ASSISTANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$2,298,715	\$2,342,260	\$2,359,958	\$17,698
Charges for Services	696,164	696,164	583,375	(112,789)
Other	158,483	158,483	167,762	9,279
Total Revenues	<u>3,153,362</u>	<u>3,196,907</u>	<u>3,111,095</u>	<u>(85,812)</u>
Expenditures:				
Current:				
Human Services	<u>3,200,035</u>	<u>3,235,345</u>	<u>3,090,354</u>	<u>144,991</u>
Excess of Revenues Over (Under) Expenditures	(46,673)	(38,438)	20,741	59,179
Fund Balance at Beginning of Year	230,651	230,651	230,651	
Prior Year Encumbrances Appropriated	<u>46,763</u>	<u>46,763</u>	<u>46,763</u>	
Fund Balance at End of Year	<u><u>\$230,741</u></u>	<u><u>\$238,976</u></u>	<u><u>\$298,155</u></u>	<u><u>\$59,179</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 BASIS) AND ACTUAL
AUTO LICENSE AND GAS FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and Other Taxes	\$135,000	\$135,000	\$144,639	\$9,639
Permissive Sales Tax	2,000,000	2,000,000	2,436,895	436,895
Intergovernmental	4,005,000	4,005,000	4,260,425	255,425
Charges for Services	255,000	255,000	368,409	113,409
Interest	5,000	5,000	4,008	(992)
Other	26,000	26,000	32,195	6,195
Total Revenues	<u>6,426,000</u>	<u>6,426,000</u>	<u>7,246,571</u>	<u>820,571</u>
Expenditures:				
Current:				
Public Works	11,298,767	11,260,408	7,364,066	3,896,342
Total Expenditures	<u>11,298,767</u>	<u>11,260,408</u>	<u>7,364,066</u>	<u>3,896,342</u>
Excess of Revenues Under Expenditures	(4,872,767)	(4,834,408)	(117,495)	4,716,913
Other Financing Sources:				
Proceeds from Sale of Capital Assets			18,540	18,540
Net Change in Fund Balance	(4,872,767)	(4,834,408)	(98,955)	4,735,453
Fund Balance at Beginning of Year	4,725,355	4,725,355	4,725,355	
Prior Year Encumbrances Appropriated	147,413	147,413	147,413	
Fund Balance at End of Year	<u>\$1</u>	<u>\$38,360</u>	<u>\$4,773,813</u>	<u>\$4,735,453</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$4,016,000	\$4,047,404	\$4,038,451	(\$8,953)
Intergovernmental	3,794,170	3,912,323	3,862,853	(49,470)
Charges for Services	45,000	69,767	58,334	(11,433)
Other	459,343	491,694	154,490	(337,204)
Total Revenues	<u>8,314,513</u>	<u>8,521,188</u>	<u>8,114,128</u>	<u>(407,060)</u>
Expenditures				
Current:				
Human Services	<u>8,220,348</u>	<u>9,431,117</u>	<u>8,720,168</u>	<u>710,949</u>
Excess of Revenues Over (Under) Expenditures	<u>94,165</u>	<u>(909,929)</u>	<u>(606,040)</u>	<u>303,889</u>
Other Financing Uses				
Transfers - Out	<u>(300,000)</u>	<u>(182,776)</u>	<u>(100,000)</u>	<u>82,776</u>
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(182,776)</u>	<u>(100,000)</u>	<u>82,776</u>
Net Change in Fund Balance	(205,835)	(1,092,705)	(706,040)	386,665
Fund Balance at Beginning of Year	5,552,309	5,552,309	5,552,309	
Prior Year Encumbrances Appropriated	<u>43,593</u>	<u>43,593</u>	<u>43,593</u>	
Fund Balance at End of Year	<u><u>\$5,390,067</u></u>	<u><u>\$4,503,197</u></u>	<u><u>\$4,889,862</u></u>	<u><u>\$386,665</u></u>

See accompanying notes to the basic financial statements.

SHELBY COUNTY

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2011**

	<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	\$1,767,776	\$85,238	\$110,148	\$1,963,162
Cash and Cash Equivalents in Segregated Accounts	7,165			7,165
Accounts Receivable	699,722	65,522		765,244
Inventory of Supplies and Materials	7,129			7,129
Due from Other Governments	401,938	43,432		445,370
Prepaid Items	4,120	515		4,635
Special Assessments Receivable		66,404		66,404
Loan Receivable		42,004		42,004
Total Current Assets	<u>2,887,850</u>	<u>303,115</u>	<u>110,148</u>	<u>3,301,113</u>
Non-current Assets:				
Loan Receivable - net of current portion		785,769		785,769
Non-Depreciable Capital Assets	17,031	390,177	51,538	458,746
Depreciable Capital Assets, Net	1,487,925	9,249,576	106,228	10,843,729
Total Non-current Assets	<u>1,504,956</u>	<u>10,425,522</u>	<u>157,766</u>	<u>12,088,244</u>
Total Assets	<u>4,392,806</u>	<u>10,728,637</u>	<u>267,914</u>	<u>15,389,357</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	122,635	45,278		167,913
Accrued Wages Payable	217,693	8,072		225,765
Contracts Payable		208,528		208,528
Retainage Payable		55,502		55,502
Due to Other Governments	137,954	11,342	570	149,866
Compensated Absences Payable	36,934	1,657		38,591
Capital Leases Payable	2,896			2,896
OPWC Loans Payable		4,326		4,326
OWDA Loans Payable		53,738		53,738
Total Current Liabilities	<u>518,112</u>	<u>388,443</u>	<u>570</u>	<u>907,125</u>
Long-Term Liabilities:				
Compensated Absences Payable - net of current portion	278,459	44,096		322,555
OPWC Loans Payable - net of current portion		164,685		164,685
OWDA Loans Payable - net of current portion		2,133,823		2,133,823
USDA Loan Payable - net of current portion		354,905		354,905
Total Long-Term Liabilities	<u>278,459</u>	<u>2,697,509</u>		<u>2,975,968</u>
Total Liabilities	<u>796,571</u>	<u>3,085,952</u>	<u>570</u>	<u>3,883,093</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,502,060	7,939,990	157,766	9,599,816
Unrestricted	2,094,175	(297,305)	109,578	1,906,448
Total Net Assets	<u>\$3,596,235</u>	<u>\$7,642,685</u>	<u>\$267,344</u>	<u>\$11,506,264</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, 2011**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$7,622,375	\$753,216	\$17,106	\$8,392,697
Sales			78,592	78,592
Other	25,643		26,147	51,790
Total Operating Revenues	<u>7,648,018</u>	<u>753,216</u>	<u>121,845</u>	<u>8,523,079</u>
Operating Expenses:				
Personal Services	5,542,303	313,531	43,045	5,898,879
Contractual Services	826,038	489,487	128,533	1,444,058
Materials and Supplies	1,008,582	63,767	3,617	1,075,966
Depreciation	75,198	266,711	9,135	351,044
Other	363,775	1,463		365,238
Total Operating Expenses	<u>7,815,896</u>	<u>1,134,959</u>	<u>184,330</u>	<u>9,135,185</u>
Operating Loss	<u>(167,878)</u>	<u>(381,743)</u>	<u>(62,485)</u>	<u>(612,106)</u>
Non-Operating Revenues (Expenses):				
Interest	105			105
Capital Grants		456,473		456,473
Interest and Fiscal Charges		(23,623)		(23,623)
Total Non-Operating Revenues (Expenses)	<u>105</u>	<u>432,850</u>		<u>432,955</u>
Income (Loss) Before Transfers and Capital Contributions	(167,773)	51,107	(62,485)	(179,151)
Capital Contributions	6,419	17,750		24,169
Transfers In		145,000		145,000
Transfers Out			(163,000)	(163,000)
Change in Net Assets	(161,354)	213,857	(225,485)	(172,982)
Net Assets Beginning of Year (Restated - Note 3)	<u>3,757,589</u>	<u>7,428,828</u>	<u>492,829</u>	<u>11,679,246</u>
Net Assets End of Year	<u>\$3,596,235</u>	<u>\$7,642,685</u>	<u>\$267,344</u>	<u>\$11,506,264</u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fair Haven	Sewer	Other Business-Type Activities	Total
Increase (Decrease) in Cash and Cash Equivalents:				
Cash Flows from Operating Activities:				
Cash Received from Customers and Support	\$7,754,815	\$735,427	\$106,339	\$8,596,581
Cash Received from Other Operating Receipts	38,784		26,147	64,931
Cash Payments for Employee Services and Benefits	(5,591,483)	(311,380)	(64,100)	(5,966,963)
Cash Payments to Suppliers	(1,927,557)	(327,967)	(134,243)	(2,389,767)
Cash Payments for Other Operating Expenses	(373,429)	(1,463)		(374,892)
Net Cash Provided by (Used in) Operating Activities	<u>(98,870)</u>	<u>94,617</u>	<u>(65,857)</u>	<u>(70,110)</u>
Cash Flows from Non-capital Financing Activities:				
Transfers - In		145,000		145,000
Transfers - Out			(163,000)	(163,000)
Net Cash Provided by (Used in) Noncapital Financing Activities		<u>145,000</u>	<u>(163,000)</u>	<u>(18,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Lease Principal Payments	(2,895)			(2,895)
Acquisition of Capital Assets	(19,524)	(762,278)		(781,802)
Capital Grants		413,040		413,040
Repayments on Fort Loramie Loan		72,655		72,655
Loan Proceeds		436,713		436,713
Loan Principal Payments		(317,190)		(317,190)
Loan Interest Payments		(55,806)		(55,806)
Net Cash Used for Capital and Related Financing Activities	<u>(22,419)</u>	<u>(212,866)</u>		<u>(235,285)</u>
Cash Flows from Investing Activities:				
Interest	105			105
Net Increase (Decrease) in Cash and Cash Equivalents	(121,184)	26,751	(228,857)	(323,290)
Cash and Cash Equivalents Beginning of Year	<u>1,896,125</u>	<u>58,487</u>	<u>339,005</u>	<u>2,293,617</u>
Cash and Cash Equivalents End of Year	<u><u>\$1,774,941</u></u>	<u><u>\$85,238</u></u>	<u><u>\$110,148</u></u>	<u><u>\$1,970,327</u></u>

(Continued)

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Other Business-Type Activities</u>	<u>Total</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Operating Loss	(\$167,878)	(\$381,743)	(\$62,485)	(\$612,106)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	75,198	266,711	9,135	351,044
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	84,466	(10,729)	10,610	84,347
Decrease in Inventory of Supplies and Materials	225		2,032	2,257
Decrease in Due from Other Governments	47,974	4,734		52,708
Increase in Prepaid Items	(794)	(96)		(890)
Decrease in Interfund Receivable			31	31
Increase in Special Assessments Receivable		(7,060)		(7,060)
Increase (Decrease) in Accounts Payable	(90,762)	27,886	(4,125)	(67,001)
Increase in Contracts Payable		185,053		185,053
Increase in Retainage Payable		8,168		8,168
Decrease in Accrued Wages	(28,403)	(275)	(4,382)	(33,060)
Increase (Decrease) in Due to Other Governments	(12,419)	217	(6,443)	(18,645)
Decrease in Interfund Payable	(31)	(660)		(691)
Increase (Decrease) in Compensated Absences Payable	(6,446)	2,411	(10,230)	(14,265)
Net Cash Provided by (Used in) Operating Activities	<u>(\$98,870)</u>	<u>\$94,617</u>	<u>(\$65,857)</u>	<u>(\$70,110)</u>

Non-Cash Transaction:

During 2011, the governmental funds transferred a vehicle to Fair Haven with a book value of \$6,419. The Sewer Fund also received a \$17,750 truck that was paid for from the Permanent Improvement Fund.

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$54,770	\$2,687,471
Cash and Cash Equivalents in Segregated Accounts		579,669
Investments in Segregated Accounts		95,879
Receivables:		
Property and Other Taxes		36,348,203
Accounts (Net, where applicable, of Uncollectible Accounts)		278,098
Special Assessments		592,871
Accrued Interest		
Due from Other Governments		3,149,470
Revenue in Lieu of Taxes Receivable		129,211
Total Assets	54,770	\$43,860,872
Liabilities:		
Due to Other Governments		\$40,696,439
Undistributed Monies		3,140,905
Deposits Held and Due to Others		23,528
Total Liabilities		\$43,860,872
Net Assets:		
Held in Trust for Pool Participants	\$54,770	

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
OR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Donations	\$21,304
Deductions:	
Distributions to Participants	<u>11,766</u>
Change in Net Assets	9,538
Net Assets Beginning of Year	<u>45,232</u>
Net Assets End of Year	<u><u>\$54,770</u></u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 (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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

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 19.

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 an Insurance Pool. The County's Joint Ventures, the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), are presented in Note 20 of the basic financial statements. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Jointly Governed Organizations of the County, the Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board), the West Central Ohio Network (WestCON), the North Central Ohio Solid Waste Management District (the District), are presented in Note 21 of the basic financial statements. A jointly governed organization is governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility on the part of the participating governments. The Related Organization, the Shelby Metropolitan Housing Authority (SMHA), is presented in Note 22. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool) and the Midwest Employee Benefit Consortium (MEBC) are risk-sharing pools. 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. They are presented in Note 23.

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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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. Nonmajor 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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

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

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

The County also has one nonmajor enterprise fund:

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

3. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

E. Revenues – Exchange and Non-exchange Transaction

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (See Note 7), 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, 2011, but were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received prior to the eligibility requirements being met have also been recorded as deferred revenue.

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

G. Expenses/Expenditures

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

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

H. Cash and Cash Equivalents

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

During 2011, 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$142,270 was credited to the General Fund during 2011, which includes \$136,706 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.

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, 2011, 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." 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 nonoperating.

S. Fund Balance

Fund balance is reported as non-spendable when it is not in spendable form.

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance is reported as committed when the Board of County Commissioners has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the County Auditor has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The County applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

T. Interfund Transactions

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

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

U. Estimates

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

V. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2011.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS/FUND BALANCE

For the year ended December 31, 2011, the County has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides clearer fund balance classifications that can be more consistently applied by establishing a hierarchy of fund balance classifications based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. It also clarifies the existing governmental fund type definitions. As a result of implementing GASB Statement No. 54, some funds were reclassified from non-major funds to both the General Fund and the Fair Haven Enterprise Fund, so restatements of fund balance and net assets at December 31, 2010 were required for these reclassification of funds.

Net assets of the Sewer Enterprise Fund were also restated for an error in reporting construction-in-progress at December 31, 2010.

The following table shows the restatements of net assets/fund balance that were the result of these reclassifications and correction of error:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Net Assets as previously reported				
December 31, 2010	\$108,699,674			\$12,046,038
Modified Accrual – Fund Reclassifications	(46,550)			46,550
Full Accrual – Fund Reclassification	16,881			(16,881)
Restatement of CIP of Sewer Fund				(396,461)
Restated Net Assets December 31, 2010	<u>\$108,670,005</u>			<u>\$11,679,246</u>
		General		
		Fund		
		Fund		
		Balance	Non-major	Fair
		Balance	Funds	Haven Fund
		Balance	Fund Balance	Net Assets
Fund Balance/Fund Net Assets as				
Previously report – December 31, 2010	\$1,016,824	\$5,596,974	\$3,727,920	\$7,825,289
Modified Accrual – Fund Reclassifications	204,469	(251,019)	46,550	
Full Accrual – Fund Reclassifications			(16,881)	
Restatement of CIP of Sewer Fund				(396,461)
Restated Fund Balance December 31, 2010	<u>\$1,221,293</u>	<u>\$5,345,955</u>	<u>\$3,757,589</u>	<u>\$7,428,828</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. 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 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).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
4. Receipt and payment of year-end intrafund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.
8. Non-budgeted activity represents receipts and disbursements of the Wilma Valentine Creative Learning Center (WVCLC) and the West Central Ohio Partnership (WestCON) that was on behalf of the Shelby County Board of Developmental Disabilities. This activity is included in the revenues and expenditures of the Developmental Disabilities Fund on a GAAP basis.
9. Perspective differences arise from the activity of some funds being included with the major funds on a GAAP basis because they are closely tied to the activity of those funds. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the fund.

Adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the County's major funds are as follows:

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Change in Fund Balance			
	General	Public Assistance	Auto License and Gas	Developmental Disabilities
GAAP Basis	\$ 28,859	\$77,468	\$491,210	\$ 187,305
Adjustments:				
Revenue Accruals	(53,684)	(60,641)	(83,707)	105,513
Expenditure Accruals	(185,127)	32,768	(101,782)	(42,780)
Unrecorded Cash 2010	77,807	515	361	33,871
Unrecorded Cash 2011	(35,032)	(619)	(233)	
Increase in Fair Value of Investments	(57,485)			
Prepaid Items	(4,055)	(2,136)	1,831	(18,656)
Non-Budgeted Activity				(1,066,886)
Encumbrances	(86,542)	(29,092)	(406,635)	(41,312)
Agency Fund Cash Allocation – 2010	74,041			132,041
Agency Fund Cash Allocation – 2011	(65,461)			(79,065)
Advances	69,163			
Perspective Differences	58,120	2,478		83,929
Budget Basis	<u>(\$179,396)</u>	<u>\$20,741</u>	<u>(\$ 98,955)</u>	<u>(\$ 706,040)</u>

5. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawal 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;

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
 - a. commercial paper notes in entities incorporated under the laws Ohio or any other state that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and mature within 270 days after purchase;
 - b. banker's acceptances eligible for purchase by the Federal Reserve System and which mature within 180 days aft purchase;
10. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;

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

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

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."

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

At December 31, 2011, the carrying amount of the County's deposits was \$7,805,048 and the bank balance was \$8,581,028.

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, 2011, \$5,290,918 of the government's bank balance of \$8,581,028 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.

B. Investments

As of December 31, 2011, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity Date</u>	
First American Treasury Obligation Fund	\$ 699,918	various	
Federal Home Loan Bank	1,748,583	12/13/13	
Federal Home Loan Bank	500,190	10/28/15	
Federal Home Loan Bank	1,500,915	9/28/16	
Federal Home Loan Mortgage Corporation	1,997,000	10/15/13	
Federal National Mortgage Association	1,500,735	2/28/14	Callable on 2/28/12
Federal National Mortgage Association	1,496,355	9/30/14	
Federal National Mortgage Association	2,098,488	12/29/14	
Federal National Mortgage Association	1,005,990	6/29/16	Callable on 6/29/12
Federal National Mortgage Association	1,000,420	9/28/16	Callable on 9/28/12
Total	<u>\$13,548,594</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. 28% of the County's investments at December 31, 2011 were in the Federal Home Loan Bank, 52 % were in the Federal National Mortgage Association, 15% were in the Federal Home Loan Mortgage Corporation, and 5% were in the First American Treasury Obligation Fund.

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 AA+ by Standard & Poor's at December 31, 2011. The County's investment in the First American Treasury Obligation was rated AAAM by Standard & Poor's at December 31, 2011.

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."

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. 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	\$23,310,224	\$ 95,879
Cash on Hand	(15,934)	
Cash with Fiscal Agent	(2,036,435)	
Investments:		
Certificate of Deposit	95,879	(95,879)
Federal Home Loan Bank	(3,749,688)	3,749,688
Federal Home Loan Mortgage Corporation (FHLMC)	(1,997,000)	1,997,000
Federal National Mortgage Association	(7,101,988)	7,101,988
First American Treasury Obligation Fund	(699,918)	699,918
GASB Statement No. 3	\$ 7,805,140	\$13,548,594

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

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 represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011, 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 2011 operations. The receivable is therefore offset by deferred revenue. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all County operations for the year ended December 31, 2011, was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. PROPERTY TAXES (Continued)

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$742,824,540	76.59
Other Real Property	195,107,030	20.12
Public Utility Personal Property	31,875,770	3.29
Total Assessed Value	<u>\$969,807,340</u>	<u>100.00%</u>

7. 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 Auditor 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 2011. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2011. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2011 amounted to \$3,761,045 in the General Fund, \$2,511,426 in the Auto License and Gas Fund and \$1,245,983 in the non-major funds, for a total of \$7,518,454.

8. RECEIVABLES

Receivables at December 31, 2011, 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. The County has \$516,231 delinquent special assessments at December 31, 2011.

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	\$707,618	\$4,416,212	\$885,324	\$6,009,154
Allowance for Uncollectible	(585,941)	(3,638,676)		(4,224,617)
Net Accounts Receivable	<u>\$121,677</u>	<u>\$ 777,536</u>	<u>\$885,324</u>	<u>\$1,784,537</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

8. RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax	\$1,101,687
Motor Vehicle License Tax	1,086,357
Local Government	553,815
Homestead and Rollback	372,483
Election Cost Reimbursement	39,705
Public Defender Reimbursement	33,102
ODE Unit Funding/subsidy payments	460,248
ODE Title XX	48,910
ODE Handicapped Preschool Grant	28,641
Developmental Disabilities Provider Support	25,707
Developmental Disabilities Daycare Grant	38,658
Miscellaneous Developmental Disabilities Reimbursements	15,155
VOCA and SVAA Grants	79,044
Judiciary Grants	50,759
Public Safety Grants	16,877
Prisoner Housing and Fines	88,404
ODOT Grant	1,889
Public Assistance Underfunded	85,236
Children's Services Underfunded	16,279
Child Support Enforcement Agency Underfunded	90,304
Miscellaneous Public Assistance Reimbursements	25,239
Miscellaneous Reimbursements and Rental Payments	33,357
Total Governmental Activities	<u>4,291,856</u>
Enterprise Funds:	
Medicare Reimbursement	142,215
Medicaid Reimbursement	252,749
Area Agency on Aging Daycare/Transportation/Meals	6,974
Kettlersville Sewer Grant Reimbursements	43,432
Total Business-Type Activities	<u>445,370</u>
Agency Funds:	
Library and Local Government	716,051
Local Government	1,153,772
Gasoline Tax	573,283
Motor Vehicle License Tax	281,552
Homestead and Rollback	54,580
Electric Deregulation	2,310
WIC Administration	160,029
Public Health Emergency Preparedness Grant	28,178
Help Me Grow Grant	158,205
Ohio Children's Trust Fund	8,632
Family Centered Services Support	12,878
Total Agency Funds	<u>3,149,470</u>
Total All Funds	<u>\$7,886,696</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

8. RECEIVABLES (Continued)

A. Notes and Loans Receivable

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and 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 home. At December 31, 2011, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$806,499, which includes \$584,684 that is expected to be collected in more than one year.

The County also has a note receivable with Clinton Township. During 2010, the County issued general obligation bonds on behalf of Clinton Township and the Township is making payments to the County to cover the debt service on the bonds. The outstanding repayment portion has been recorded as notes receivable in the Bond Retirement Debt Service Fund. At December 31, 2011, the total amount of notes receivable in the Bond Retirement Debt Service Fund is \$221,547, which includes \$188,947 that is expected to be collected in more than one year.

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. This amount is expected to be collected in more than one year.

The County also has an outstanding loan receivable from the Village of Fort Loramie for its share of the 2005 Sewer Flow Equalization Project. This project was financed with a loan from OWDA, with the agreement that the Village of Fort Loramie would be responsible for 65% of the total debt repayment. The Village makes monthly payments to cover its share of the annual debt service of the OWDA loan. A loan receivable has been recorded in the Sewer Fund for the outstanding repayment portion that is the Village's responsibility. At December 31, 2011, the total amount of loans receivable in the Sewer Fund was \$827,773, which includes \$785,769 that is expected to be collected in more than one year.

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance at 12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2011</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,363,513			\$ 2,363,513
Depreciable Capital Assets:				
Buildings	27,795,706	\$ 21,967	(\$ 47,135)	27,770,538
Equipment	2,027,358	56,418	(64,543)	2,019,233
Furniture and Fixtures	201,751			201,751
Vehicles	6,414,021	420,454	(368,230)	6,466,245
Infrastructure	159,942,976	1,805,713	(918,600)	160,830,089
Total Depreciable Capital Assets	<u>196,381,812</u>	<u>2,304,552</u>	<u>(1,398,508)</u>	<u>197,287,856</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. CAPITAL ASSETS (Continued)

	Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
Less Accumulated Depreciation:				
Buildings	(11,151,182)	(684,033)	25,764	(11,809,451)
Equipment	(1,601,474)	(129,870)	51,406	(1,679,938)
Furniture and Fixtures	(161,441)	(8,219)		(169,660)
Vehicles	(4,011,963)	(652,099)	352,213	(4,311,849)
Infrastructure	(94,780,774)	(5,429,448)	901,794	(99,308,428)
Total Accumulated Depreciation	<u>(111,706,834)</u>	<u>(6,903,669)</u>	<u>1,331,177</u>	<u>(117,279,326)</u>
Depreciable Capital Assets, Net	<u>84,674,978</u>	<u>(4,599,117)</u>	<u>(67,331)</u>	<u>80,008,530</u>
Governmental Activities Capital Assets, Net	<u>\$87,038,491</u>	<u>(\$4,599,117)</u>	<u>(\$ 67,331)</u>	<u>\$82,372,043</u>
	Restated Balance At 12/31/2010	Additions	Deletions	Balance At 12/31/2011
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 458,746			\$ 458,746
Construction in Progress	595,042	\$762,278	(\$427,692)	929,628
Total Capital Assets Not Being Depreciated	<u>1,053,788</u>	<u>762,278</u>	<u>(427,692)</u>	<u>1,388,374</u>
Depreciable Capital Assets:				
Buildings	3,159,118			3,159,118
Equipment	204,806			204,806
Furniture and Fixtures	18,000			18,000
Vehicles	500,265	60,096	(66,779)	493,582
Infrastructure	11,110,550	427,692		11,538,242
Total Depreciable Capital Assets	<u>14,992,739</u>	<u>487,788</u>	<u>(66,779)</u>	<u>15,413,748</u>
Total Capital Assets At Historical Cost	<u>16,046,527</u>	<u>1,250,066</u>	<u>(494,471)</u>	<u>16,802,122</u>
Less Accumulated Depreciation:				
Buildings	(1,347,207)	(79,484)		(1,426,691)
Equipment	(173,624)	(4,000)		(177,624)
Furniture and Fixtures	(18,000)			(18,000)
Vehicles	(476,677)	(30,352)	66,779	(440,250)
Infrastructure	(3,183,471)	(253,611)		(3,437,082)
Total Accumulated Depreciation	<u>(5,198,979)</u>	<u>(367,447)</u>	<u>66,779</u>	<u>(5,499,647)</u>
Depreciable Capital Assets, Net	<u>9,793,760</u>	<u>120,341</u>		<u>9,914,101</u>
Business-Type Activities Capital Assets, Net	<u>\$10,847,548</u>	<u>\$882,619</u>	<u>(\$427,692)</u>	<u>\$11,302,475</u>

Depreciation expense was charged to governmental programs as follows:

General Government – Legislative and Executive	\$ 128,738
General Government – Judicial	43,687
Public Safety	385,197
Public Works	5,821,397
Health	7,106
Human Services	513,749
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$6,903,669</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. RISK MANAGEMENT

A. Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2011, 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.

Coverage provided by the insurance pool is as follows:

Liability:

General Liability	\$2,000,000
Public Official Errors and Omissions Liability	2,000,000
Law Enforcement Liability	2,000,000
Employee Benefit Liability	2,000,000
Auto Liability	2,000,000
Ohio Stop Gap	2,000,000

Crime:

Employee Dishonesty	500,000
Depositors Forgery	500,000
Money and Securities	500,000
Excess Liability	5,000,000
Excess Healthcare Professional Liability	3,000,000
Excess Crime Liability	500,000
Property – replacement value	80,273,000
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 23). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs and deputy sheriffs) 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 OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.6 percent of their annual covered salary.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units and 18.1 percent covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2011 was 10.00 percent of covered payroll except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 14.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$1,889,532, \$1,525,080, and \$1,561,073, respectively; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$79,187 made by the County and \$56,563 made by the plan members.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2010. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended December 31, 2011, 2010 and 2009 were \$118,424, \$110,344, and \$118,779 respectively; 96 percent has been contributed for fiscal year 2011 and 100 percent for 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$6,379 made by the plan members and \$8,930 by the County.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan for members in the traditional plan was 4.00 percent of covered payroll. The employer contribution allocated to the health care plan for members in the combined plan was 6.05 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$704,155, \$856,378, and \$1,129,823, respectively; 90 percent has been contributed for 2011 and 100 percent for 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients who participated in the Defined Benefit or Combined Plans and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The County's required contributions for healthcare for the years ended December 31, 2011, 2010, and 2009, were \$9,110, \$8,488, and \$9,608; 96 percent has been contributed for 2011 and 100 percent has been contributed for 2010 and 2009.

13. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Compensated Absences

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

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less or more than the required amount for the pay period shall receive a pro-rated share of sick leave. Any County employee who has 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.

14. CAPITAL LEASES

In prior years, the County has entered into leases for the use of equipment and vehicles. The terms of these agreements provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments on all capital leases in 2011 totaled \$203,122 in the governmental funds and \$2,895 in the enterprise funds.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. CAPITAL LEASES (Continued)

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$1,054,856, 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, 2011, was \$842,697 and the carrying value was \$212,159. For business-type activities, capital assets have been capitalized in the amount of \$14,478. Accumulated depreciation on these assets at December 31, 2011 was \$11,582 and the carrying value was \$2,896.

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, 2011.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities Amounts</u>	<u>Business-Type Activities Amounts</u>
2012	\$218,539	\$2,896
2013	6,033	
2014	1,308	
Total	225,880	2,896
Less: Amount Representing Interest	(9,929)	
Present Value of Net Minimum Lease Payments	<u>\$215,951</u>	<u>\$2,896</u>

15. LONG-TERM DEBT OBLIGATIONS

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

	<u>Restated Balance at 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/11</u>	<u>Due Within One Year</u>
OWDA Loan Payable:					
1992 Meadowlane – 7.62%	\$ 6,353		\$ 6,353		
General Obligation Bonds Payable:					
2010 Millcreek Storm Sewer Bonds –3.27%	319,347		65,200	\$ 254,147	\$ 65,200
Other Long-Term Obligations:					
Compensated Absences Payable	1,607,466	\$980,053	1,000,400	1,587,119	150,202
Obligations Under Capital Lease	419,073		203,122	215,951	208,884
Total Other Long-Term Obligations	<u>2,026,539</u>	<u>980,053</u>	<u>1,203,522</u>	<u>1,803,070</u>	<u>359,086</u>
Total General Long-Term Obligations	<u>\$2,352,239</u>	<u>\$980,053</u>	<u>\$1,275,075</u>	<u>\$2,057,217</u>	<u>\$424,286</u>

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 was repaid from the Bond Retirement Debt Service Fund, using special assessments.

The Millcreek Storm Sewer Bonds were issued on February 2, 2010, on behalf of Clinton Township, for the purpose of constructing a storm sewer in the Millcreek Subdivision. The County is repaying the debt from the Bond Retirement Debt Service Fund with payments from Clinton Township. The bonds carry an interest rate of 3.27 % and reach final maturity on January 15, 2015.

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 and the Developmental Disabilities Fund.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS (Continued)

Changes in the long-term obligations reported in the enterprise funds during 2011 were as follows:

	<u>Restated Balance at 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/11</u>	<u>Due Within One Year</u>
Loans Payable:					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	\$1,335,761		\$ 62,266	\$1,273,495	\$32,011
2006 McCartyville Sewer OWDA Loan – 0.00%	546,990		32,176	514,814	16,088
2009 Millcreek Sewer OWDA Loan – 1.50%	367,439	\$ 42,287	10,474	399,252	5,639
2009 Kettlersville Sewer Design OWDA Loan – 0.00%	200,482	5,591	206,073		
1998 Arrowhead Hills Sewer OPWC Loan – 0.00%	28,125		3,750	24,375	1,875
2010 Millcreek Sewer OPWC Loan – 0.00%	113,158	33,929	2,451	144,636	2,451
2011 Kettlersville Sewer USDA Loan – 3.50%		354,906		354,906	
Total Loans	<u>2,591,955</u>	<u>436,713</u>	<u>317,190</u>	<u>2,711,478</u>	<u>58,064</u>
Other Long-Term Obligations:					
Compensated Absences Payable	375,411	204,821	219,087	361,145	38,591
Obligations Under Capital Lease	5,791		2,895	2,896	2,896
Total Other Long-Term Obligations	<u>381,202</u>	<u>204,821</u>	<u>221,982</u>	<u>364,041</u>	<u>41,487</u>
Total General Long-Term Obligations	<u>\$2,973,157</u>	<u>\$641,534</u>	<u>\$539,172</u>	<u>\$3,075,519</u>	<u>\$99,551</u>

The 2005 Ft. Loramie Sewer OWD loan is a twenty year loan in the amount of \$1,562,925 for the Fort Loramie Flow Equalization Project. Per an agreement with the Village of Fort Loramie, the Village is responsible for 65% of the repayment of this debt. The Village of Fort Loramie is making monthly payments to the Sewer Fund for its share of the debt. The County's share of this loan is being repaid from the operating revenues of the Sewer Fund. The McCartyville Sewer OWDA loan is a twenty year, \$643,518 loan for the planning and construction of the McCartyville Sewer Collection System. It is being repaid from the operating revenues of the Sewer Fund. The Millcreek Sewer OWDA loan is a 30 year, \$415,920 loan for the construction of the Millcreek Subdivision Sewer project. That project was also funded through a 30 year, \$147,087 OPWC loan. These loans will be repaid from operating revenues of the Sewer Fund. The Kettlersville Sewer OWDA design loan was paid off with the USDA loan during 2011. It is a 30 year, \$520,000 loan that is not fully disbursed as of December 31, 2011. This loan will also be paid from operating revenues of the Sewer Fund. The 1998 Arrowhead Hills 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 Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2011, are an overall debt margin of \$22,521,586 and an un-voted debt margin of \$9,474,475.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS (Continued)

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

Year	Governmental Activities	
	General Obligation	
	Bonds	
	Principal	Interest
2012	\$ 65,200	\$ 7,372
2013	65,200	5,193
2014	65,200	3,031
2015	58,547	979
Totals	\$254,147	\$16,575

Year	Business-Type Activities					
	Ft. Loramie Sewer OWDA		McCartyville Sewer OWDA		Millcreek Sewer OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 32,010	\$ 23,878	\$ 16,088		\$ 5,639	\$ 2,994
2013	65,833	45,944	32,176		11,405	5,861
2014	68,325	43,452	32,176		11,578	5,690
2015	70,911	40,866	32,176		11,752	5,516
2016	73,596	38,182	32,176		11,929	5,339
2017-2021	411,933	146,955	160,879		62,394	23,945
2022-2026	496,027	62,863	160,879		67,236	19,103
2027-2031	54,860	1,029	48,264		72,450	13,886
2032-2036					78,072	8,267
2037-2040					66,797	2,274
Totals	\$1,273,495	\$403,169	\$514,814		\$399,252	\$92,875

Year	Arrowhead Hills OPWC		Millcreek Sewer OPWC	
	Principal	Interest	Principal	Interest
2012	\$ 1,875		\$ 2,451	
2013	3,750		4,902	
2014	3,750		4,902	
2015	3,750		4,902	
2016	3,750		4,902	
2017-2021	7,500		24,515	
2022-2026			24,515	
2027-2031			24,515	
2032-2036			24,516	
2037-2040			24,516	
Totals	\$24,375		\$144,636	

The Kettlersville Sewer USDA loan has not been fully disbursed. Debt service requirements will be presented for that loan upon completion of disbursement.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS (Continued)

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,050,000 outstanding at December 31, 2011, 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 \$27,240,000 outstanding at December 31, 2011. During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,690,000 outstanding at December 31, 2011. During 2002, health care facilities revenue bonds were issued with the principal amount of \$42,930,000 outstanding at December 31, 2011. 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 \$5,305,000, \$1,496,425, and \$835,982 outstanding, respectively, at December 31, 2011. 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.

16. INTERFUND TRANSACTIONS

Interfund balances at December 31, 2011, 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 \$60,379 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.

Interfund Payable	General Fund	Public Assistance Fund	Auto License and Gas Fund	Nonmajor Governmental Funds	Total
General Fund			\$ 753	\$126,623	\$127,376
Developmental Disabilities Fund			9,137		9,137
Non-major:					
Governmental Funds	\$14,761	\$86,309	19	43,196	144,285
Total	\$14,761	\$86,309	\$9,909	\$169,819	\$280,798

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 to non-major governmental funds equal to \$164,765, which was to subsidize various programs. The Developmental Disabilities Fund had transfers out of \$50,000 to the Developmental Disabilities Capital Fund to pay some capital expenses. The General Fund had transfers in of \$800,000 and the Sewer Fund had transfers in of \$145,000 from the Permanent Improvement Fund to help cover costs for 2011. The General Fund had transfers in of \$163,000 from the Recycling Fund for the excess balance in the fund because the operation of the Recycling Center was taken over by a private company in July of 2011. The General Fund had transfers in of \$2,390 from non-major funds for the excess balances.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2011 were as follows:

Fund Balance	General	Public Assistance	Auto License and Gas Tax
Non-Spendable:			
Inventory	\$ 68,118	\$ 1,637	\$ 270,422
Prepaid Items	52,811	45,225	3,375
Unclaimed Monies	48,326		
Long-Term Advances			
Long-Term Notes Receivable			
Long-Term Loans Receivable	22,500		
Total Non-Spendable	<u>191,755</u>	<u>46,862</u>	<u>273,797</u>
Restricted for:			
Roads, Bridges, and Culverts			6,172,747
Ditch Maintenance			
Public Assistance		293,829	
Developmental Disabilities			
Dog and Kennel			
Real Estate Assessment and Collection			
Judiciary Operations and Special Projects			
Public Safety			
Child Support Enforcement			
Community Development			
Debt Service:			
Capital Improvements			
Developmental Disabilities Capital Improvements			
Total Restricted		<u>293,829</u>	<u>6,172,747</u>
Committed to:			
Sheriff Commissary			
Developmental Disabilities Daycare			
Total Committed			
Assigned for:			
Unpaid Obligations	91,722		
Court Appointed Special Advocates Program	12,050		
Crimestoppers Rewards	10,248		
Total Assigned	<u>114,020</u>		
Unassigned	944,377		
Total Fund Balance	<u>\$1,250,152</u>	<u>\$340,691</u>	<u>\$6,446,544</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. FUND BALANCE (Continued)

Fund Balance	Developmental Disabilities	Other Governmental Funds	Total
Non-Spendable:			
Inventory	\$ 5,080		\$ 345,257
Prepaid Items	12,576	\$ 23,202	137,189
Unclaimed Monies			48,326
Long-Term Advances		60,379	60,379
Long-Term Notes Receivable		773,631	773,631
Long-Term Loans Receivable			22,500
Total Non-Spendable	<u>17,656</u>	<u>857,212</u>	<u>1,387,282</u>
Restricted for:			
Roads, Bridges, and Culverts		63,237	6,235,984
Ditch Maintenance		406,367	406,367
Public Assistance			293,829
Developmental Disabilities	7,108,446		7,108,446
Dog and Kennel		37,790	37,790
Real Estate Assessment and Collection		752,319	752,319
Judiciary Operations and Special Projects		500,532	500,532
Public Safety		93,481	93,481
Child Support Enforcement		200,252	200,252
Community Development		334,617	334,617
Debt Service		56,606	56,606
Capital Improvements		1,953,381	1,953,381
Developmental Disabilities Capital Improvements		116,912	116,912
Total Restricted	<u>7,108,446</u>	<u>4,515,494</u>	<u>18,090,516</u>
Committed to:			
Sheriff Commissary		23,335	23,335
Developmental Disabilities Daycare	114,137		114,137
Total Committed	<u>114,137</u>	<u>23,335</u>	<u>137,472</u>
Assigned for:			
Unpaid Obligations			91,722
Court Appointed Special Advocates Program			12,050
Crimestoppers Rewards			10,248
Total Assigned			<u>114,020</u>
Unassigned		(10,344)	934,033
Total Fund Balance	<u>\$7,240,239</u>	<u>\$5,385,697</u>	<u>\$20,663,323</u>

18. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2011, the County had contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/11
Choice One Engineering	Kettlersville Sewer	\$ 143,500	(\$29,321)	\$114,179
VTF Excavation	Kettlersville Sewer	1,424,755	(654,671)	770,084
City of Sidney	County Road 25A Project	\$500,000	(165,202)	334,798

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

A. Nature of Organization

S and H Products is a non-profit sheltered workshop providing residential, vocational, habilitation and family resource services to mentally retarded and developmentally disabled adults in Shelby County and other counties. S and H Products is primarily funded by the Shelby County Board of MRDD as disclosed in Note 24.

S and H Products is exempt under Internal Revenue Code Section 501©(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, 2010, to June 30, 2011.

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, 2011, all of the assets of the component unit are unrestricted, except for \$46,452 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 \$306,911 and the bank balance was \$310,025.

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, 2011, \$20,916 of the government's bank balance of \$310,025 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

As of June 30, 2011, 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	\$ 24,752
Managers Pimco Bond Fund	15,000
Metropolitan West	14,982
Perkins Mid Cap	47,223
Royce Special Equity Fund	47,318
Vanguard Total Bond Market	87,964
Permanent Portfolio	20,628
Fairholme Fund	33,648
Sequoia Fund	19,472
Tweedy Browne Global Value Fund	19,534
Total	<u>\$330,521</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 Non-expendable 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	\$110,973	\$526,709
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	196,188	(196,188)
GASB Statement No. 3	<u>\$306,911</u>	<u>\$330,521</u>

D. Capital Assets

A summary of S and H Products capital assets at June 30, 2011, follows:

Leasehold Improvements	\$17,555
Shop and Office Equipment	160,678
Transportation Equipment	59,164
Total Capital Assets Being Depreciated	<u>237,397</u>
Less Accumulated Depreciation	<u>(190,945)</u>
Total Capital Assets, Net	<u>\$46,452</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

It is the component unit's policy to capitalize all assets in excess of \$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 \$16,260.

E. Segment Information

Net working capital for S and H Products was \$464,051. 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 2011. 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 Developmental Disabilities. In other transactions with Shelby County, S&H Products received \$10,086 for the year ended June 30, 2011 for goods and services.

Additionally, S&H Products had sales of \$4,533 during the fiscal year ended June 30, 2011, to one company that employs one S&H Products' board member, with accounts receivable of \$0 at June 30, 2011.

20. JOINT VENTURES

A. Shelby County Office of Homeland Security

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2011, the County contributed \$65,219 (45 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.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

20. JOINT VENTURES (Continued)

B. Shelby County Regional Planning Commission

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2011, County contributed \$20,000 to the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Dianna Reisinger, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

21. JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

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

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2011, a tax levy provided \$500,145 (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 2011, the Counties Board allocated payments to WestCON were \$1,574,615.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. North Central Ohio Solid Waste Management District

The North Central Ohio Solid Waste Management District (the District) is a jointly governed organization among Shelby, Allen, Champaign, Hardin, Marion, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations. 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 2011, 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.

22. RELATED ORGANIZATION

The Shelby Metropolitan Housing Authority

The Shelby Metropolitan Housing Authority (SMHA) is a related organization of Shelby County. The SMHA is a legally separate body politic. The majority of the SMHA Board is appointed by Shelby County. The SMHA Board is composed of five representatives, who include: one member appointed by the Shelby County Common Pleas Court Judge; one member appointed by the Shelby County Commissioners; one member appointed by the Shelby County Probate Court Judge; and two members appointed by the Mayor of Sidney. The County is not able to impose its will on the SMHA and no financial benefit and/or burden relationship exists. The SMHA is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The general purpose of the SMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. During 2011, the County did not have any financial contributions to the operation of the SMHA.

23. RISK SHARING POOLS

A. Mid West Pool Risk Management Agency, Inc.

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

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

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

23. RISK SHARING POOLS (Continued)

B. Midwest Employee Benefit Consortium

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

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

24. 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 2011, 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, 2011, RSSI managed nine properties on behalf of Shelby County Board of Developmental Disabilities. There are no outstanding mortgages on any of these properties. There was no Community Capital Assistance funding passed through to RSSI during 2011.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

25. 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.

26. SUBSEQUENT EVENTS

On May 14, 2012, the Ohio Environmental Protection Agency (EPA) issued Director's Final Findings and Orders to the Shelby County Board of Commissioners disclosing that the Newport Area is an unincorporated area in Shelby County, Ohio, wherein centralized wastewater facilities are unavailable. The Director's Orders require that not later than five months the County shall submit to the Ohio EPA for approval a general plan for sewage improvements or other methods of abating pollution and correcting the unsanitary conditions for the Newport Area, implementation of the plan, complete the sewage system installation within six years in accordance with the approved permit to install application and achieve compliance with Ohio's water pollution control laws, and finally provide notice to the Ohio EPA in writing completion of the Order's.

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**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1101-11-5113/G-1213-11-0113	10.561	\$199,028
<i>(Direct)</i>			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>354,904</u>
Total U.S. Department of Agriculture			<u>553,932</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grants/States' Program and Non-entitlement Grants in Hawaii	B-C-09-1CR-1 B-F-10-1CR-1 B-W-10-1CR-1	14.228	64,311 96,000 <u>245,100</u>
Total Community Development Block Grants/States' Program and Non-entitlement Grants in Hawaii			405,411
Home Investment Partnership Program	B-C-09-1CR-2	14.239	<u>140,228</u>
Total U.S. Department of Housing and Urban Development			<u>545,639</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed Through Ohio Department of Public Safety):</i>			
Crime Victim Assistance	2012VAGENE421 2011VAGENE421 2011VACHAE440 2012VACHAE440	16.575	9,316 31,161 6,316 <u>2,592</u>
Total -Crime Victim Assistance			<u>49,385</u>
ARRA Eward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories - Recovery Act	2009-RA-D01-2239	16.803	110
Total U.S. Department of Justice			<u>49,495</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	2010-7375-1 / 2011-7375-1	17.258	190,930
Workforce Investment Act-Adult Administrative	2010-7375-1 / 2011-7375-1	17.258	<u>15,214</u>
Workforce Investment Act-Adult Total			206,144
Workforce Investment Act-Youth	2010-7375-1 / 2011-7375-1	17.259	72,797
Workforce Investment Act-Youth Administrative	2010-7375-1 / 2011-7375-1	17.259	<u>2,563</u>
Workforce Investment Act-Youth Total			75,360
Workforce Investment Act-Dislocated Workers	2010-7375-1 / 2011-7375-1	17.260	28,869
ARRA - Workforce Investment Act-Dislocated Workers	2010-7375-1 / 2011-7375-1	17.260	<u>25,537</u>
Workforce Investment Act-Dislocated Workers			54,406
Workforce Investment Act - Dislocated Worker Formula Grants	2010-7375-1 / 2011-7375-1	17.278	89,579
Workforce Investment Act - Dislocated Worker Formula Grants - Admin	2010-7375-1 / 2011-7375-1	17.278	<u>11,839</u>
Total Workforce Investment Act Cluster			<u>437,328</u>
Employment Service Cluster			
Employment Service/Wagner Peyser Funded Activities	N/A	17.207	40,924
Disabled Veterans' Outreach Program	N/A	17.801	10,598
Local Veterans' Employment Representative Program	N/A	17.804	<u>944</u>
Total Employment Service Cluster			52,466
Total U.S. Department of Labor			<u>489,794</u>

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Passed through the Ohio Department of Transportation)</i>			
Highway Planning and Construction	PID 89455 / Agreement 24109	20.205	1,889
<i>(Passed Through Ohio Department of Public Safety)</i>			
Highway Safety Cluster			
State and Community Highway Safety	HVEO-2012-75-00-00-00356-00 HVEO-2011-75-00-00-00478-00	20.600	2,945 <u>18,144</u>
Total - State and Community Highway Safety			21,089
Alcohol Impaired Driving Countermeasures Incentive Grants I	HVEO-2012-75-00-00-00356-00 HVEO-2011-75-00-00-00478-00	20.601	1,964 <u>12,096</u>
Total - Alcohol Impaired Driving Countermeasures Incentive Grants I			14,060
Total Highway Safety Cluster			<u>35,149</u>
Total U.S. Department of Transportation			<u>37,038</u>
U.S. DEPARTMENT OF EDUCATION			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Preschool Grants	071159-PG-SI-12P 071159-PG-SI-11P	84.173	18,384 <u>32,695</u>
Total Special Education Preschool Grants			51,079
<i>(Passed Through Ohio Department of Health)</i>			
Early Intervention Services (IDEA) Cluster			
Special Education-Grants for Infants and Families	07510021HG0209 07510021HG0312	84.181	37,019 <u>15,385</u>
Total Special Education-Grants for Infants and Families			52,404
ARRA Special Education-Grants for Infants and Families	07510021HG0211	84.393	17,542
Early Intervention Services (IDEA) Cluster Total			<u>69,946</u>
<i>(Passed Through Ohio Rehabilitation Services)</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States		84.126	<u>51,395</u>
Total U.S. Department of Education			<u>172,420</u>
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-1213-11-0113	93.556	52,448
Child Support Enforcement	G-1101-11-5113/G-1213-11-0113	93.563	408,546
Stephanie Tubbs Jones Child Welfare Services Programs	G-1101-11-5113/G-1213-11-0113	93.645	35,461
Chaffee Foster Care Independence Program	G-1101-11-5113/G-1213-11-0113	93.674	101
Temporary Assistance for Needy Families	G-1101-11-5113/G-1213-11-0113	93.558	730,958
Foster Care - Title IV-E	G-1101-11-5113/G-1213-11-0113	93.658	81,628
ARRA Foster Care - Title IV-E	G-1101-11-5113/G-1213-11-0113	93.658	557
Total Foster Care - Title IV-E			<u>82,185</u>
Children's Health Insurance Program	G-1101-11-5113/G-1213-11-0113	93.767	2,108
Medical Assistance Program (Medicaid)	G-1101-11-5113/G-1213-11-0113	93.778	293,974
<i>(Passed Through Ohio Department of Development Disabilities):</i>			
Medical Assistance Program	CY2012 MAC	93.778	41,794
ARRA Medical Assistance Program	CY 2012 eFMAP	93.778	30,548
Medical Assistance Program Total			<u>366,316</u>
Adoption Assistance	G-1101-11-5113/G-1213-11-0113	93.659	149,005
Social Services Block Grant	G-1101-11-5113/G-1213-11-0113	93.667	416,362

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>(Passed Through Ohio Department of Development Disabilities):</i>			
Social Services Block Grant	CY2012 TXX	93.667	56,492
Total Social Services Block Grant			<u>472,854</u>
Child Care Development Fund Cluster			
Childcare Mandatory and Matching Funds of Child Care and Development	G-1101-11-5113/G-1213-11-0113	93.596	17,180
Child Care and Development Block Grant	G-1101-11-5113/G-1213-11-0113	93.575	34,194
Child Care and Development Fund Cluster Total			<u>51,374</u>
<i>(Passed Through Ohio Department of Aging)</i>			
<i>(Passed Through Area Agency on Aging)</i>			
Aging Cluster			
Special Programs for the Aging - Title III, Part B			
- Grants for Supportive Services and Senior Centers	N/A	93.044	35,392
Special Programs for the Aging - Title III, Part C - Nutrition Services		93.045	69,056
Nutrition Services Incentive Program		93.053	12,381
Total Aging Cluster			<u>116,829</u>
<i>(Passed through the Ohio Secretary of State)</i>			
Voting Access for Individuals with Disabilities_Grants to States	N/A	93.617	140
Total U.S. Department of Health and Human Services			<u>2,468,325</u>
Total			<u><u>\$4,316,643</u></u>

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

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**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Shelby County (the County's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting, except expenditures passed through Area 7 Workforce Investment Board for the Workforce Investment Act Cluster, which are presented on an accrual basis.

NOTE B – SUB-RECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services and the Area 7 Workforce Investment Board to other governments or not-for-profit agencies (sub-recipients). As Note A describes, the County reports expenditures of Federal awards to sub-recipients when paid in cash, except expenditures passed through Area 7 Workforce Investment Act Cluster, which are presented on an accrual basis.

As a sub-recipient, the County has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

NOTE C – HOME INVESTMENT PARTNERSHIP PROGRAM (HIPP) REVOLVING LOAN PROGRAM

The County has a revolving loan fund (RLF) program to provide low-interest loans 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 the initial loan as a disbursement. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property.

Activity in the HIPP revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$965,355
Loans made	106,653
Loan principal repaid	(19,418)
Loan forgiveness per loan agreement	(114,062)
Loans discharged	<u>(132,029)</u>
Ending loans receivable balance as of December 31, 2011	\$806,499
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$112,803
Administrative costs expended during 2011	\$ 0

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**FINANCIAL CONDITION
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE E – COMMINGLING

Federal funds received for Workforce Investment Act Cluster, Medical Assistance Program, Aging Cluster, and Crime Victims Assistance programs were commingled with state subsidy and local revenues. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

NOTE F – PRIOR YEAR PROGRAM ADJUSTMENTS

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$47,177. The deferred payment was for Medicaid Administrative Claiming (MAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



Dave Yost • 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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 7, 2012 wherein we noted that the County adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and restated net assets for business-type activities and the sewer fund. 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 S&H Products (discretely presented component unit), as described in our opinion of the County's financial statements. This report does not include the results of the other auditors 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 County'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 August 7, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of County Commissioners, federal awarding agencies and pass-through 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 "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

August 7, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM 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 could directly and materially affect each of Shelby County's major federal programs for the year ended December 31, 2011. 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 opine on the County's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, Shelby County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over 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 August 7, 2012

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



Dave Yost
Auditor of State

August 7, 2012

**FINANCIAL CONDITION
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.760 – Water and Waste Disposal Systems for Rural Communities CFDA #14.228 – Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii CFDA #93.558 – Temporary Assistance for Needy Families
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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.

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SHELBY COUNTY FINANCIAL CONDITION

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 30, 2012