SHELBY COUNTY
FINANCIAL CONDITION

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

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SHELBY COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit, on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Auto License and Gas Tax, and the Board of Mental Retardation and Developmental Disabilities funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2008

FINANCIAL CONDITION
SHELBY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

Shelby County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2007.

Financial Highlights

- The County's total net assets increased $1,462,527 during 2007. Net assets of governmental activities increased $1,184,015 (approximately 1 percent). The increase was due partly to the timing of road and bridge projects and sales tax revenue received. The increase in cash was also due to revenues that were significantly higher than expenditures in the MRDD fund. Net assets of business-type activities increased by $278,512 (about 3 percent).

- The General Fund transfers out equaled $182,914, all of which was to subsidize various programs of the non-major governmental funds.

- Business-type operations showed total operating revenue of $8,164,742 and total operating expenses of $8,491,198 for an operating loss of $326,456. The Recycling Fund reflected an operating gain, but the Fair Haven Fund and the Sewer Fund had an operating loss. Total business-type unrestricted net assets were $1,161,417. This total includes $383,032 for Fair Haven, $484,033 for Sewer, and $294,352 for Recycling.

- Capital assets, net of accumulated depreciation, decreased $1,218,077 for governmental activities. This was due to depreciation expense being higher than the additions to capital assets for the year.

- For 2007, the County has added all infrastructure to its capital asset balances as required by GASB Statement No. 34. Because of this, a restatement of net assets was necessary at December 31, 2006. The restatement was in the amount of $65,710,259.

Using This Annual Financial Report

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

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

Reporting The County As A Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting The County's Most Significant Funds

Fund Financial Statements

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

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 2007 compared to 2006 (as restated).

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	$31,030,154	$29,892,369	$1,975,103	$2,439,877	$33,005,257	$32,332,246
Capital Assets	95,281,207	96,499,284	11,229,665	10,604,509	106,510,872	107,103,793
Total Assets	126,311,361	126,391,653	13,204,768	13,044,386	139,516,129	139,436,039
Liabilities						
Long-Term Liabilities						
Due within One Year	306,763	230,276	214,175	181,518	520,938	411,794
Due in More Than One Year	2,137,411	2,533,238	3,240,174	3,040,265	5,377,585	5,573,503
Other Liabilities	8,253,599	9,198,566	490,043	840,739	8,743,642	10,039,305
Total Liabilities	10,697,773	11,962,080	3,944,392	4,062,522	14,642,165	16,024,602
Net Assets						
Invested in Capital Assets, Net of Related Debt	94,511,537	95,345,452	8,098,959	7,680,121	102,610,496	103,025,573
Restricted for:						
Other Purposes	16,450,509	14,362,064			16,450,509	14,362,064
Debt Service	50,360	3,760			50,360	3,760
Capital Outlay	2,619,803	2,394,467			2,619,803	2,392,467
Unrestricted	1,981,379	2,325,830	1,161,417	1,301,743	3,142,796	3,627,573
Total Net Assets	$115,613,588	$114,429,573	$9,260,376	$8,981,864	$124,873,964	$123,411,437

Equity in Pooled Cash and Cash Equivalents increased about 10.2% due partly to the timing of road and bridge projects and sales tax revenue received. The increase in cash was also due to revenues that were significantly higher than expenditures in the MRDD fund, still due in part to the payment of prior year's Medicaid amounts. Cash with Fiscal Agents decreased due to a decrease in the cash balances at West Central Ohio Network for the benefit of the MRDD Board. Accrued interest receivable decreased due to the timing of interest payments on investments. Accounts receivable increased due mostly to an increase in the court fines due to the County funds. Due from other governments decreased mostly because of a decrease in the Medicare receivable at the County Home at year–end. Property taxes receivable decreased about 8% due to the decrease in personal property taxes receivable because of the phaseout of this tax. Special assessments receivable decreased due to payments received from property owners in 2007 that outpaced the new assessments being levied for the year. Capital assets increased because of the inclusion of the infrastructure assets as required by GASB Statement No. 34.

Accounts Payable decreased and Contracts Payable increased due to the timing of bills and payments. Accrued Wages Payable increased due to more days of wages being accrued at year-end. Due to other governments decreased due to the timing of the retirement payments and other miscellaneous payables to other governments. Matured Compensated Absences Payable decreased due to the fact that there were no retirees at year-end who had not received their severance payout.

Invested in capital assets, net of related debt, decreased due to depreciation expense for the year being greater than the acquisitions for the year. The County has done a restatement of net assets at December 31, 2006, and included all of its' infrastructure in the capital assets for 2007. This was required for the first time in 2007 by GASB Statement No. 34. Net assets restricted for other purposes increased partly to the timing of road and bridge projects and sales tax revenue received. The increase was also due to revenues that were significantly higher than expenditures in the MRDD.

Total net assets increased $1,462,527. Net assets of the County's governmental activities increased by $1,184,015, with unrestricted net assets decreasing $344,451.

The net assets of the County's business-type activities increased by $278,512, while reporting a total operating loss during 2007. The Recycling Fund had operating income and an increase in net assets. The Sewer fund had an operating loss but an increase in net assets because of the grant monies received to help finance the construction of the McCartyville Sewer Project. The Fair Haven Fund had an operating loss and a decrease in net assets just due to normal operations of the home.

Table 2 shows the changes in net assets for the year ended December 31, 2007, as compared with the year ended December 31, 2006.

Table 2
Changes in Net Assets

	Governmental Activities		**Business-Type Activities**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Revenues						
Program Revenues:						
Charges for Services	$6,347,501	$6,363,367	$8,108,593	$7,935,785	$14,456,094	$14,299,152
Operating Grants, Contributions and Interest	15,619,096	14,208,222			15,619,096	14,208,222
Capital Grants and Contributions	69,685		380,067	626,855	449,752	626,855
Total Program Revenues	22,036,282	20,571,589	8,488,660	8,562,640	30,524,942	29,134,229
General Revenues:						
Property and Other Taxes	7,221,519	7,712,359			7,221,519	7,712,359
Permissive Sales Tax	8,192,497	8,034,075			8,192,497	8,034,075
Grants and Entitlements	3,314,230	2,749,566			3,314,230	2,749,566
Interest	1,033,299		45		1,033,344	
Other	238,448	953,965	56,149	61,076	294,597	1,015,041
Total General Revenues	19,999,993	19,449,965	56,194	61,076	20,056,187	19,511,041
Total Revenues	42,036,275	40,021,554	8,544,854	8,623,716	50,581,129	48,645,270

(Continued)

Table 2
Changes in Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Government						
Legislative and Executive	4,986,451	4,489,207			4,986,451	4,489,207
Judicial	2,818,610	2,462,581			2,818,610	2,462,581
Public Safety	4,975,947	4,964,744			4,975,947	4,964,744
Public Works	10,274,836	6,810,256			10,274,836	6,810,256
Health	240,963	191,941			240,963	191,941
Human Services	16,413,183	15,428,340			16,413,183	15,428,340
Economic Development and Assistance	296,047	631,909			296,047	631,909
Intergovernmental	435,055	429,522			435,055	429,522
Interest and Fiscal Charges	61,168	91,935			61,168	91,935
Fair Haven			7,254,825	7,180,224	7,254,825	7,180,224
Sewer			1,049,545	969,793	1,049,545	969,793
Recycling			311,972	277,982	311,972	277,982
Total Expenses	40,502,260	35,500,435	8,616,342	8,427,999	49,118,602	43,928,434
Increase(Decrease) in Net Assets Before Transfers	1,534,015	4,521,119	(71,488)	195,717	1,462,527	4,716,836
Transfers	(350,000)	(155,000)	350,000	155,000		
Increase (Decrease) in Net Assets	$1,184,015	$4,366,119	$278,512	$ 350,717	$1,462,527	$ 4,716,836

Governmental Activities

Grants and entitlements is the largest source of revenue for Shelby County. This makes up approximately 45% of total revenues of governmental activities for 2007. The major recipients of intergovernmental program revenues were the Public Assistance, Auto License and Gas, and MRDD Funds.

Permissive sales tax is the next largest source of revenue for the County. The County received $8,192,497 in 2007 or about 20% of total revenues.

Property and other taxes made up about 17% of total revenues for 2007.

The County's direct charges (charges for services) to users of governmental services made up around 15% of total governmental revenues for 2007. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)

Human services programs accounted for approximately 41% of total expenses for governmental activities. Public works makes up approximately 25% of total expenses. Other major program expenses for governmental activities include general government legislative and executive and public safety programs, which each accounted for approximately 13% of total expenses.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed over 5.2 million for capital assets. These assets included the purchase of safety and road maintenance equipment and vehicles, as well as bridge replacements.

Business-Type Activities

The net assets for business-type activities increased by $278,512 during 2007. Charges for services were the largest revenue source, accounting for 95% of total business-type activities revenues. Capital grants and contributions, in the form of grants to the Sewer fund to help finance the McCartyville Sewer project, accounted for another 4% of revenues during 2007. The remaining 1% of revenues was from miscellaneous revenues and interest.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	2007		2006	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Current:				
General Government:				
Legislative and Executive	$ 4,986,451	$ 2,661,343	$ 4,489,207	$ 1,877,569
Judicial	2,818,610	1,939,119	2,462,581	1,802,076
Public Safety	4,975,947	4,130,315	4,964,744	3,917,084
Public Works	10,274,836	3,874,403	6,810,256	1,439,519
Health	240,963	111,439	191,941	76,004
Human Services	16,413,183	5,379,749	15,428,340	5,259,178
Economic Development and Assistance	296,047	(14,518)	631,909	84,457
Intergovernmental	435,055	322,960	429,522	381,024
Interest and Fiscal Charges	61,168	61,168	91,935	91,935
Total Expenses	$40,502,260	$18,465,978	$35,500,435	$14,928,846

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

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

The County's Funds

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of $41,675,408 and expenditures of $39,665,964.

The General Fund is the chief operating fund of the County. At the end of the current year, unreserved fund balance of the General Fund was $1,440,235 while total fund balance was $1,525,591, a decrease of $357,834 from the prior year.

The Public Assistance fund balance increased $81,653.

The Auto License and Gas fund balance increased $1,030,992. This increase was just due to normal activity of the fund and timing of revenues and expenditures.

The MRDD fund balance increased $591,058 due to significantly higher revenues than expenditures, still due in part to the payment of prior year's Medicaid amounts.

The enterprise funds reflect an operating loss for 2007. The Recycling Fund had an operating income of $27,357. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Fair Haven had an operating loss of $162,062, due to normal operations of the home. Most of Fair Haven's revenue is based on the census at the home. The timing of receipts and expenditures can cause an operating income or loss to be reflected each year. The Sewer Fund had an operating loss of $191,751. The County Commissioners have set fees with the intention of funding operating cost and debt service, however, depreciation expense, which is not a cash outflow, was $241,387 in 2007. Also, the capital grants that the Sewer Fund received to help fund the McCartyville Sewer project are not operating revenues, so although the Sewer Fund showed an operating loss, the net income before transfers was $64,190.

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 2007, the General Fund had original appropriations of $12,591,981 and final appropriations of $13,041,464. Actual expenditures plus encumbrances for 2007 were $12,762,786, $278,678 less than final appropriations.

Actual receipts were $51,812 greater than final estimated receipts of $11,934,014.

Capital Assets And Debt Administration

Capital Assets

Table 4
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	$2,363,513	$2,352,778	$458,746	$458,746
Construction in Progress				464,013
Buildings	18,169,498	18,571,916	1,970,143	1,986,014
Equipment	810,341	693,518	28,704	32,813
Furniture and Fixtures	30,934	44,996	2,062	4,312
Vehicles	1,769,066	1,646,363	91,493	118,301
Infrastructure	72,137,855	73,189,713	8,678,517	7,540,310
Totals	$95,281,207	$96,499,284	$11,229,665	$10,604,509

As stated previously, the County was required to include all infrastructure in capital assets for the first time in 2007. A restatement of capital assets was done as of December 31, 2006. Infrastructure increases in the business-type activities were for the McCartyville Sewer system project completed during 2007. See Note 9 of the notes to the basic financial statements for more detailed capital asset information.

Debt

At December 31, 2007, Shelby County had $864,886 in long-term governmental debt outstanding, and $3,130,706 in long-term enterprise debt.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
General Obligation Bonds	$748,000	$1,124,000		
OWDA Loans Payable	22,839	27,575	$3,130,706	$2,918,798
Notes Payable	72,377	98,382		
Capital Leases	21,670	29,832		5,592
Totals	$864,886	$1,279,789	$3,130,706	$2,924,390

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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(Continued)

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

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

The County's overall legal debt margin was $23,866,190 as of December 31, 2007. The more restrictive unvoted legal debt margin was $9,546,336 as of the same date. See Note 15 of the notes to the basic financial statements for more detailed information.

Contacting The County Auditor's Office

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

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FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED UNIT
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	**Business-Type Activities**	**Total**	**S and H Products**
Assets				
Equity in Pooled Cash and Cash Equivalents	$15,658,026	$863,995	$16,522,021	
Cash and Cash Equivalents in Segregated Accounts	123,436	20,598	144,034	$110,980
Investments in Segregated Accounts				553,889
Cash and Cash Equivalents with Fiscal Agent	286,019		286,019	
Accrued Interest Receivable	148,011		148,011	588
Permissive Sales Tax Receivable	1,248,194		1,248,194	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	713,733	319,102	1,032,835	29,616
Inventory of Supplies and Materials	293,484	6,244	299,728	
Due from Other Governments	4,583,009	329,219	4,912,228	
Property and Other Taxes Receivable	6,450,623		6,450,623	
Prepaid Items	112,067	4,116	116,183	
Internal Balances	44,293	(44,293)		
Notes Receivable	935,840		935,840	
Special Assessments Receivable	404,161	476,122	880,283	
Loans Receivable	22,500		22,500	
Deferred Charges	6,758		6,758	
Depreciable Capital Assets, Net	92,917,694	10,770,919	103,688,613	90,429
Capital Assets, Not Being Depreciated	2,363,513	458,746	2,822,259	
Total Assets	126,311,361	13,204,768	139,516,129	785,502
Liabilities				
Accounts Payable	552,748	156,736	709,484	646
Contracts Payable	369,615		369,615	
Accrued Wages Payable	376,925	174,093	551,018	6,695
Due to Other Governments	609,119	159,214	768,333	1,442
Accrued Interest Payable	4,227		4,227	
Deferred Revenue	6,340,965		6,340,965	
Long Term Liabilities:				
Due Within One Year	306,763	214,175	520,938	
Due in More Than One Year	2,137,411	3,240,174	5,377,585	
Total Liabilities	10,697,773	3,944,392	14,642,165	8,783
Net Assets				
Invested in Capital Assets, Net of Related Debt	94,511,537	8,098,959	102,610,496	90,429
Restricted for:				
Other Purposes	16,450,509		16,450,509	
Debt Service	50,360		50,360	
Capital Outlay	2,619,803		2,619,803	
Unrestricted	1,981,379	1,161,417	3,142,796	686,290
Total Net Assets	$115,613,588	$9,260,376	$124,873,964	$776,719

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF ACTIVITIES
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	$4,986,451	$2,243,731	$81,377	
Judicial	2,818,610	546,141	333,350	
Public Safety	4,975,947	627,112	218,520	
Public Works	10,274,836	665,766	5,664,982	69,685
Health	240,963	128,741	783	
Human Services	16,413,183	2,023,915	9,009,519	
Economic Development and Assistance	296,047		310,565	
Intergovernmental	435,055	112,095		
Interest and Fiscal Charges	61,168			
Total Governmental Activities	40,502,260	6,347,501	15,619,096	69,685
Business-type activities:				
Fair Haven	7,254,825	7,054,939		
Sewer	1,049,545	733,666		$380,067
Recycling	311,972	319,988		
Total business-type activities	8,616,342	8,108,593		380,067
Total primary government	$49,118,602	$14,456,094	$15,619,096	$449,752
Component Unit				
S and H Products	$557,679	$156,888	$432,589	$0

General Revenues:
Property Taxes Levied for:
General Purposes
Other Purposes
Debt Service
Permissive Motor Vehicle License Tax 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
($2,661,343)		($2,661,343)	
(1,939,119)		(1,939,119)	
(4,130,315)		(4,130,315)	
(3,874,403)		(3,874,403)	
(111,439)		(111,439)	
(5,379,749)		(5,379,749)	
14,518		14,518	
(322,960)		(322,960)	
(61,168)		(61,168)	
(18,465,978)		(18,465,978)	
	($199,886)	(199,886)	
	64,188	64,188	
	8,016	8,016	
	(127,682)	(127,682)	
(18,465,978)	(127,682)	(18,593,660)	
			$31,798
2,133,523		2,133,523	
4,510,526		4,510,526	
435,568		435,568	
141,902		141,902	
4,095,521		4,095,521	
1,365,306		1,365,306	
2,731,670		2,731,670	
3,314,230		3,314,230	
1,033,299	45	1,033,344	44,478
210,618		210,618	
27,830	56,149	83,979	3,278
(350,000)	350,000		
19,649,993	406,194	20,056,187	47,756
1,184,015	278,512	1,462,527	79,554
114,429,573	8,981,864	123,411,437	697,165
$115,613,588	$9,260,376	$124,873,964	$776,719

FINANCIAL CONDITION
SHELBY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Public Assistance	Auto License and Gas
Assets:			
Equity in Pooled Cash and Cash Equivalents	$1,002,779	$390,996	$4,609,619
Cash and Cash Equivalents in Segregated Accounts	6,985		
Cash and Cash Equivalents with Fiscal Agent			
Receivables:			
Property and Other Taxes	1,941,767		11,869
Permissive Sales Tax	624,102		416,058
Accounts (Net, where applicable, of Uncollectible Accounts)	496,408	19,243	31,675
Interfund	20,227	47,545	15,388
Special Assessments			
Accrued Interest	148,011		
Due from Other Governments	852,773	88,541	2,415,621
Prepaid Items	49,113	47,330	127
Inventory of Supplies and Materials	59,310	6,519	222,537
Notes Receivable			
Loans Receivable	22,500		
Total assets	5,223,975	600,174	7,722,894
Liabilities			
Accounts Payable	89,037	189,375	61,496
Contracts Payable			
Accrued Wages Payable	193,565	44,818	30,159
Due to Other Governments	224,314	174,104	38,616
Interfund Payable	96,125		
Deferred Revenue	3,095,343	86,958	1,691,316
Total liabilities	3,698,384	495,255	1,821,587
Fund balances:			
Reserved for Encumbrances	13,553	25,431	28,372
Reserved for Advances	4,416		
Reserved for Loans Receivable	22,500		
Reserved for Notes Receivable			
Reserved for Unclaimed Monies	44,887		
Unreserved, reported in:			
General Fund	1,440,235		
Special Revenue Funds		79,488	5,872,935
Debt Service Funds			
Capital Projects Funds			
Total fund balances	1,525,591	104,919	5,901,307
Total liabilities and fund balances	$5,223,975	$600,174	$7,722,894

See accompanying notes to the basic financial statements.

MRDD	Other Governmental Funds	Total
$4,257,257	$5,397,375	$15,658,026
98,285	18,166	123,436
286,019		286,019
4,260,145	236,842	6,450,623
	208,034	1,248,194
33,137	133,270	713,733
354	265,926	349,440
	404,161	404,161
		148,011
941,655	284,419	4,583,009
12,630	2,867	112,067
2,140	2,978	293,484
	935,840	935,840
		22,500
9,891,622	7,889,878	31,328,543
91,592	121,248	552,748
	369,615	369,615
76,643	31,740	376,925
92,990	79,095	609,119
5,264	203,758	305,147
4,889,554	827,127	10,590,298
5,156,043	1,632,583	12,803,852
19,659	238,062	325,077
	154,725	159,141
		22,500
	825,847	825,847
		44,887
		1,440,235
4,715,920	2,645,288	13,313,631
	(1,094)	(1,094)
	2,394,467	2,394,467
4,735,579	6,257,295	18,524,691
$9,891,622	$7,889,878	$31,328,543

FINANCIAL CONDITION
SHELBY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total Governmental Fund Balances		$18,524,691
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.		95,281,207
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	$166,498	
Intergovernmental	3,077,084	
Accounts Receivable	546,307	
Special Assessments	388,426	
Interest	71,018	
Total		4,249,333
Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets but are expended in the funds.		6,758
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	(4,227)	
General Obligation Bonds	(748,000)	
Special Assessment Long-Term Note	(72,377)	
OWDA Loan	(22,839)	
Capital Leases	(21,670)	
Compensated Absences	(1,579,288)	
Total		(2,448,401)
Net Assets of Governmental Activities		$115,613,588

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, 2007

	General	Public Assistance	Auto License and Gas
Revenues			
Property and Other Taxes	$2,124,764		$141,902
Permissive Sales Tax	4,095,521		2,731,670
Intergovernmental	1,994,309	$4,785,549	5,424,295
Charges for Services	2,203,138	520,403	274,464
Licenses and Permits	2,335		
Fines and Forfeitures	196,254		
Special Assessments			
Interest	1,140,897		131,360
Increase in Fair Value of Investments	210,618		
Contributions and Donations			
Other	176,549	248,161	38,720
Total Revenues	12,144,385	5,554,113	8,742,411
Expenditures			
Current:			
General Government:			
Legislative and Executive	3,762,193		
Judicial	2,175,307		
Public Safety	4,180,276		
Public Works	989,919		7,732,719
Health	94,079		
Human Services	702,376	5,472,460	
Economic Development and Assistance			
Intergovernmental	435,055		
Capital Outlay			
Debt Service:			
Principal Retirement	8,162		
Interest and Fiscal Charges	1,788		
Total Expenditures	12,349,155	5,472,460	7,732,719
Excess of Revenues Over (Under) Expenditures	(204,770)	81,653	1,009,692
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	29,850		21,300
Transfers - In			
Transfers - Out	(182,914)		
Total Other Financing Sources (Uses)	(153,064)		21,300
Net Change in Fund Balances	(357,834)	81,653	1,030,992
Fund Balances (Deficit) Beginning of Year - Restated Note 3	1,883,425	23,266	4,870,315
Fund Balances End of Year	$1,525,591	$104,919	$5,901,307

See accompanying notes to the basic financial statements.

MRDD	Other Governmental Funds	Total Governmental Funds
$4,490,381	$433,815	$7,190,862
	1,365,306	8,192,497
3,342,160	2,717,301	18,263,614
192,233	1,431,584	4,621,822
	109,603	111,938
	108,399	304,653
	306,030	306,030
	568	1,272,825
		210,618
12,140		12,140
410,445	314,534	1,188,409
8,447,359	6,787,140	41,675,408
	905,272	4,667,465
	551,961	2,727,268
	530,953	4,711,229
	412,734	9,135,372
	139,919	233,998
7,548,301	2,385,500	16,108,637
	292,252	292,252
		435,055
	879,155	879,155
	406,741	414,903
	58,842	60,630
7,548,301	6,563,329	39,665,964
899,058	223,811	2,009,444
		51,150
	677,163	677,163
(308,000)	(536,249)	(1,027,163)
(308,000)	140,914	(298,850)
591,058	364,725	1,710,594
4,144,521	5,892,570	16,814,097
$4,735,579	$6,257,295	$18,524,691

FINANCIAL CONDITION
SHELBY COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

Net Change in Fund Balances - Total Governmental Funds		$1,710,594
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$5,198,318	
Depreciation	(6,378,672)	
Excess of Capital Outlay over Depreciation Expense		(1,180,354)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. In the current year, these amounts consisted of:		
Proceeds from Sale of Assets	(51,150)	
Gain on Sale of Assets	13,427	
		(37,723)
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
General Obligation Bond Principal Payments	376,000	
Elliot Ditch Special Assessment Note Principal Payments	2,820	
Platvoit Ditch Special Assessment Note Principal Payments	23,185	
OWDA Loan Principal Payments	4,736	
Capital Lease Principal Payments	8,162	
		414,903
Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets, but are expended in the funds.		
Amoritzation of issuance costs		(1,127)
Some revenues that will not be collected for several months after the County's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:		
Property and Other Taxes	30,657	
Intergovernmental	262,879	
Charges for Services	33,280	
Fines and Forfeitures	117,494	
Licenses and Permits	(706)	
Special Assessments	36,690	
Interest	(107,598)	
		372,696
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Decrease in Accrued Interest	589	
Increase in Compensated Absences	(95,563)	
		(94,974)
Change in Net Assets of Governmental Activities		$1,184,015

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues				
Property and Other Taxes	$2,093,701	$2,093,701	$2,105,355	$11,654
Permissive Sales Tax	4,300,000	4,300,000	4,144,643	(155,357)
Intergovernmental	2,090,267	2,090,267	2,063,595	(26,672)
Charges for Services	2,454,196	2,454,196	2,193,779	(260,417)
Licenses and Permits	3,000	3,000	2,360	(640)
Fines and Forfeitures	235,000	235,000	198,448	(36,552)
Interest	651,500	651,500	1,071,016	419,516
Other	106,350	106,350	171,780	65,430
Total Revenues	11,934,014	11,934,014	11,950,976	16,962
Expenditures				
Current:				
General Government:				
Legislative and Executive	3,839,630	3,952,711	3,840,687	112,024
Judicial	2,148,497	2,272,996	2,261,351	11,645
Public Safety	4,126,568	4,189,361	4,183,258	6,103
Public Works	935,795	1,011,282	996,870	14,412
Health	110,769	109,917	95,723	14,194
Human Services	719,388	777,670	732,682	44,988
Intergovernmental	427,955	435,055	435,055	
Total Expenditures	12,308,602	12,748,992	12,545,626	203,366
Excess of Revenues Over (Under) Expenditures	(374,588)	(814,978)	(594,650)	220,328
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets			29,850	29,850
Advances In			5,000	5,000
Advances Out		(34,246)	(34,246)	
Transfers - In				
Transfers - Out	(283,379)	(258,226)	(182,914)	75,312
Total Other Financing Sources (Uses)	(283,379)	(292,472)	(182,310)	110,162
Net Change in Fund Balance	(657,967)	(1,107,450)	(776,960)	330,490
Fund Balance Beginning of Year	1,162,832	1,162,832	1,162,832	
Prior Year Encumbrances Appropriated	231,859	231,859	231,859	
Fund Balance End of Year	$736,724	$287,241	$617,731	$330,490

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues				
Intergovernmental	$4,413,504	$4,818,463	$4,795,691	($22,772)
Charges for Services	743,638	653,867	653,867	
Other	404,527	232,421	232,421	
Total Revenues	5,561,669	5,704,751	5,681,979	(22,772)
Expenditures				
Current:				
Human Services	5,277,297	5,795,234	5,736,316	58,918
Excess of Revenues Under Expenditures	284,372	(90,483)	(54,337)	36,146
Fund Balance at Beginning of Year	27,389	27,389	27,389	
Prior Year Encumbrances Appropriated	147,090	147,090	147,090	
Fund Balance at End of Year	$458,851	$83,996	$120,142	$36,146

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, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues				
Property and Other Taxes	$140,000	$140,000	$142,229	$2,229
Permissive Sales Tax	2,500,000	2,500,000	2,764,334	264,334
Intergovernmental	4,300,000	5,182,656	5,435,578	252,922
Charges for Services	215,000	215,000	244,586	29,586
Interest	115,000	115,000	132,820	17,820
Other	2,500	2,500	41,640	39,140
Total Revenues	7,272,500	8,155,156	8,761,187	606,031
Expenditures				
Current:				
Public Works	10,669,022	11,736,421	7,928,426	3,807,995
Excess of Revenues Under Expenditures	(3,396,522)	(3,581,265)	832,761	4,414,026
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets			21,300	21,300
Net Change in Fund Balance	(3,396,522)	(3,581,265)	854,061	4,435,326
Fund Balance at Beginning of Year	3,396,521	3,396,521	3,396,521	
Prior Year Encumbrances Appropriated	268,013	268,013	268,013	
Fund Balance at End of Year	$268,012	$83,269	$4,518,595	$4,435,326

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
MRDD FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues				
Property and Other Taxes	$4,929,184	$4,929,184	$4,484,517	($444,667)
Intergovernmental	2,794,444	2,762,507	2,878,678	116,171
Charges for Services	30,000	30,001	45,502	15,501
Other	194,000	313,054	330,980	17,926
Total Revenues	7,947,628	8,034,746	7,739,677	(295,069)
Expenditures				
Current:				
Human Services	7,397,592	7,423,058	6,940,869	482,189
Excess of Revenues Over Expenditures	550,036	611,688	798,808	187,120
Other Financing Sources (Uses)				
Transfers - In	150,000			
Transfers - Out		(358,000)	(308,000)	50,000
Total Other Financing Sources (Uses)	150,000	(358,000)	(308,000)	50,000
Net Change in Fund Balance	700,036	253,688	490,808	237,120
Fund Balance at Beginning of Year	3,361,172	3,361,172	3,361,172	
Prior Year Encumbrances Appropriated	148,764	148,764	148,764	
Fund Balance at End of Year	$4,209,972	$3,763,624	$4,000,744	$237,120

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007

	Fair Haven	Sewer	Other Business-Type Activities	Total
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$437,968	$124,039	$301,988	$863,995
Cash and Cash Equivalents in Segregated Accounts	20,598			20,598
Accounts Receivable	244,048	55,351	19,702	319,101
Inventory of Supplies and Materials	4,188	400	1,656	6,244
Due from Other Governments	329,219			329,219
Prepaid Items	2,911	1,205		4,116
Interfund Receivable	23,611		53	23,664
Special Assessments Receivable		175,784		175,784
Total Current Assets	1,062,543	356,779	323,399	1,742,721
Non-current Assets:				
Special Assessments Receivable - net of current portion		300,338		300,338
Non-Depreciable Capital Assets	17,031	390,177	51,538	458,746
Depreciable Capital Assets, Net	1,651,229	8,940,600	179,090	10,770,919
Total Noncurrent Assets	1,668,260	9,631,115	230,628	11,530,003
Total Assets	2,730,803	9,987,894	554,027	13,272,724
Liabilities				
Current Liabilities:				
Accounts Payable	131,989	20,886	3,861	156,736
Accrued Wages Payable	165,928	4,650	3,514	174,092
Due to Other Governments	107,161	47,315	4,738	159,214
Interfund Payable	30	67,927		67,957
Compensated Absences Payable	17,084	5,955	478	23,517
OPWC Loans Payable		1,875		1,875
OWDA Loans Payable		188,783		188,783
Total Current Liabilities	422,192	337,391	12,591	772,174
Long-Term Liabilities:				
Compensated Absences Payable - net of current portion	257,319	26,351	16,456	300,126
OPWC Loans Payable - net of current portion		37,500		37,500
OWDA Loans Payable - net of current portion		2,902,548		2,902,548
Total Long-Term Liabilities	257,319	2,966,399	16,456	3,240,174
Total Liabilities	679,511	3,303,790	29,047	4,012,348
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,668,260	6,200,071	230,628	8,098,959
Unrestricted	383,032	484,033	294,352	1,161,417
Total Net Assets	$2,051,292	$6,684,104	$524,980	$9,260,376

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, 2007

	Fair Haven	Sewer	Other Business-Type Activities	Total
Operating Revenues				
Charges for Services	$7,054,939	$733,666	$104,264	$7,892,869
Sales			215,724	215,724
Other	36,808		19,341	56,149
Total Operating Revenues	7,091,747	733,666	339,329	8,164,742
Operating Expenses				
Personal Services	5,232,295	246,276	205,953	5,684,524
Contractual Services	865,324	344,817	70,058	1,280,199
Materials and Supplies	832,601	91,564	14,568	938,733
Depreciation	70,300	241,387	20,090	331,777
Other	253,289	1,373	1,303	255,965
Total Operating Expenses	7,253,809	925,417	311,972	8,491,198
Operating Income (Loss)	(162,062)	(191,751)	27,357	(326,456)
Non-Operating Revenues (Expenses)				
Interest			45	45
Interest and Fiscal Charges	(1,016)	(124,126)		(125,142)
Capital Grants		380,067		380,067
Total Non-Operating Revenues (Expenses)	(1,016)	255,941	45	254,970
Income (Loss) Before Transfers	(163,078)	64,190	27,402	(71,486)
Transfers In		350,000		350,000
Change in Net Assets	(163,078)	414,190	27,402	278,514
Net Assets Beginning of Year	2,214,370	6,269,914	497,578	8,981,862
Net Assets End of Year	$2,051,292	$6,684,104	$524,980	$9,260,376

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	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	$6,904,468	$861,383	$326,757	$8,092,608
Cash Received from Other Operating Receipts	36,808		19,341	56,149
Cash Payments for Employee Services and Benefits	(5,212,597)	(242,987)	(200,807)	(5,656,391)
Cash Payments to Suppliers	(1,709,135)	(806,401)	(84,705)	(2,600,241)
Cash Payments for Other Operating Expenses	(249,994)	(1,374)	(1,303)	(252,671)
Net Cash Provided by (Used for) Operating Activities	(230,450)	(189,379)	59,283	(360,546)
Cash Flows from Noncapital Financing Activities				
Transfers - In		350,000		350,000
Advances In				
Advances Out		(31,750)		(31,750)
Net Cash Provided by Noncapital Financing Activities		318,250		318,250
Cash Flows from Capital and Related Financing Activities				
Lease Principal Payments	(5,592)			(5,592)
Lease Interest Payments	(1,016)			(1,016)
Acquisition of Capital Assets	(60,930)	(896,003)		(956,933)
Federal and State Grants		743,543		743,543
Loan Proceeds		536,975		536,975
Loan Principal Payments		(327,141)		(327,141)
Loan Interest Payments		(142,671)		(142,671)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(67,538)	(85,297)		(152,835)
Cash Flows from Investing Activities				
Interest			45	45
Net Increase in Cash and Cash Equivalents	(297,988)	43,574	59,328	(195,086)
Cash and Cash Equivalents Beginning of Year	756,554	80,465	242,660	1,079,679
Cash and Cash Equivalents End of Year	$458,566	$124,039	$301,988	$884,593

(Continued)

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
DECEMBER 31, 2007

	Fair Haven	Sewer	Other Business-Type Activities	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	($162,062)	($191,751)	$27,357	($326,456)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	70,300	241,387	20,090	331,777
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(98,977)	(8,910)	6,768	(101,119)
(Increase) Decrease in Inventory of Supplies and Materials	(2,626)	(400)	(1,029)	(4,055)
Increase in Due from Other Governments	(40,233)			(40,233)
Increase in Prepaid Items	(613)	(150)		(763)
(Increase) Decrease in Interfund Receivable	(11,261)		1	(11,260)
Decrease in Special Assessments Receivable		136,627		136,627
Increase (Decrease) in Accounts Payable	(1,872)	(23,573)	928	(24,517)
Decrease in Contracts Payable		(318,637)		(318,637)
Decrease in Retainage Payable		(27,708)		(27,708)
Increase in Accrued Wages	18,076	617	2,324	21,017
Increase (Decrease) in Due to Other Governments	(21,412)	(676)	236	(21,852)
Increase (Decrease) in Interfund Payable	(8)	393		385
Increase in Compensated Absences Payable	20,238	3,402	2,608	26,248
Net Cash Provided by (Used for) Operating Activities	($230,450)	($189,379)	$59,283	($360,546)

Non Cash Transactions: During 2007, the governmental funds transferred a vehicle to the Sewer Fund with an original cost of $44,140. The vehicle was totally depreciated at the date of transfer and thus had no book value.

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$44,694	$2,996,702
Cash and Cash Equivalents in Segregated Accounts		588,135
Investments in Segregated Accounts		88,587
Receivables:		
Property and Other Taxes		38,220,759
Accounts (Net, where applicable, of Uncollectible Accounts)		181,743
Special Assessments		138,809
Accrued Interest		847
Due from Other Governments		3,685,952
Revenue in Lieu of Taxes Receivable		77,454
Total Assets	44,694	$45,978,988
Liabilities		
Accounts Payable	280	
Due to Other Governments	93	43,092,202
Undistributed Monies		2,862,189
Deposits Held and Due to Others		24,597
Total Liabilities	373	$45,978,988
Net Assets		
Held in Trust for Pool Participants	$44,321	

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Private Purpose Trust
Additions:	
Miscellaneous	$25,051
Deductions:	
Distributions to Participants	31,191
Change in Net Assets	(6,140)
Net Assets Beginning of Year	50,461
Net Assets End of Year	$44,321

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. REPORTING ENTITY AND BASIS OF PRESENTATION

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

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

A. Reporting Entity

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

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

B. Blended Component Unit

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

The Wilma Valentine Creative Learning Center - 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 Mental Retardation and Developmental Disabilities. The Shelby County Board of Mental Retardation and Developmental Disabilities is part of the primary government and the primary government may affect the activities, programs and projects of the WVCLC. It would be misleading to exclude the WVCLC from the financial statements of the primary government. The WVCLC is considered a component unit and blended with the primary government.

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

C. Discretely Presented Component Unit

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, S and H Products. It is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component unit is presented in Note 18.

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

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

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

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, a Related Organization, and Insurance Pools. The County’s Joint Ventures, the Shelby County Office of Homeland Security and the Shelby County Regional Planning Commission (the Commission), are presented in Note 19 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 20 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 21. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County.

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 22 and Note 23. The Pool and the MEBC are risk-sharing pools, while the CCAOSC is an insurance purchasing pool. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. An insurance purchasing pool is an organization formed by a group of governments to pool funds or resources to purchase commercial insurance policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

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

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

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

The County also has one non-major enterprise fund:

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

4. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

E. Revenues - Exchange and Non-exchange Transaction

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

Non-exchange revenue transactions in which the County receives value without directly giving equal value in return, include property taxes, permissive sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (See Note 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.

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, 2007, but were levied to finance 2008 operations, have been recorded as deferred revenue. Grants and entitlements received prior to the eligibility requirements being met have also been recorded as deferred revenue.

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

G. Expenses/Expenditures

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

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

H. Cash and Cash Equivalents

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

During 2007, the County invested in the following: Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association and First American Treasury Obligation Fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is distributed to the funds according to statutory requirements. Interest revenue of $1,140,897 was credited to the General Fund during 2007, which includes $1,091,123 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, collectibility.

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

J. Inventory of Supplies and Materials

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

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

Inventory consists of expendable supplies held for consumption.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

L. Interfund Receivables/Payables

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

M. Deferred Charges

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Capital Assets

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

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

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

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

In governmental funds, the County's infrastructure system consists of roads, bridges and culverts. For 2007, the County has added all infrastructure to its capital assets as required by GASB Statement No. 34. In the enterprise funds, infrastructure consists of sewer lines.

O. Compensated Absences

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

P. Accrued Liabilities and Long-Term Obligations

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

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

Q. 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.

R. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of a school; resident homes for the mentally retarded and developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs. There were no net assets restricted by enabling legislation at December 31, 2007. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

S. Operating Revenues and Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Reserves of Fund Balance

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

U. Interfund Transactions

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

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

V. 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.

W. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2007.

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. RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Net assets of Governmental Activities were restated at December 31, 2006, to include all of the County's infrastructure in capital assets as required by GASB Statement No. 34. The net assets of Governmental Activities and fund balances of the MRDD Fund were also restated at December 31, 2006, for a restatement of the Wilma Valentine Creative Learning Center assets and liabilities. These changes had the following effect on net assets of governmental activities and fund balances of the MRDD Fund as previously reported:

	Net Assets Governmental Activities	Fund Balance MRDD Fund
Fund Balances/Net Assets, December 31, 2006	$48,686,424	$4,111,631
Restatement for Infrastructure	65,710,259	
Restatement for WVCLC	32,890	32,890
Restated Fund Balance/Net Assets December 31, 2006	$114,429,573	$4,144,521

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 MRDD Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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

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

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

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

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

Net Change in Fund Balance

	General	Public Assistance	Auto License and Gas	MRDD
GAAP Basis	($357,834)	$81,653	$1,030,992	$591,058
Adjustments:				
Revenue Accruals	(292,033)	127,539	16,839	49,199
Expenditure Accruals	(143,532)	(3,345)	(117,019)	117,725
Unrecorded Cash 2006	(75,481)	344	11,761	
Unrecorded Cash 2007	(33,277)	(17)	(9,824)	(39,016)
Change in Fair Value of Investments 2006	(6,930)			
Change in Fair Value of Investments 2007	217,548			
Prepaid Items	27,262	10,326	2,512	(2,354)
Non-Budgeted Activity				(107,766)
Encumbrances	(80,201)	(270,837)	(81,200)	(112,792)
Agency Fund Cash Allocation – 2006	57,771			99,459
Agency Fund Cash Allocation – 2007	(61,007)			(104,705)
Advances	(29,246)			
Budget Basis	($776,960)	($54,337)	$854,061	$490,808

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

A. Deposits

At December 31, 2007, the carrying amount of the County's deposits was $7,922,444 and the bank balance was $8,145,887.

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 County does not have a deposit policy for custodial credit risk. As of December 31, 2007, $7,078,274 of the County's bank balance of $8,145,887 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, 2007, the County had the following investments and maturities:

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Carrying Value	Maturity Date	
First American Treasury Obligation Fund	$1,259,476	various	
Federal Home Loan Bank	2,025,000	4/24/09	
Federal Home Loan Bank	2,052,500	7/17/09	
Federal Home Loan Bank	2,020,000	10/22/12	Callable 10/22/08
Federal Home Loan Bank	1,018,750	11/20/12	Callable 11/20/09
Federal Home Loan Mortgage Corporation	2,041,260	11/3/09	
Federal Home Loan Mortgage Corporation	1,010,010	10/22/12	Callable 8/15/08
Federal National Mortgage Association	1,005,940	5/09/12	Callable 5/09/08
Total	$12,432,936		

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. 57% of the County's investments at December 31, 2007 were in the Federal Home Loan Bank, 25% were in the Federal Home Loan Mortgage Corporation, 10% were in the First American Treasury Obligation Fund and 8% were in the Federal National Mortgage Association.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County's investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's at December 31, 2007. The County's investment in the First American Treasury Obligation was not rated at December 31, 2007.

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:

5. DEPOSITS AND INVESTMENTS (Continued)

	Primary Government	
	Cash and Cash Equivalents/Deposits	**Investments**
GASB Statement No. 9	$20,581,605	$ 88,587
Cash on Hand	(28,793)	
Cash with Fiscal Agent	(286,019)	
Investments:		
Certificate of Deposit	88,587	(88,587)
Federal Home Loan Bank	(7,116,250)	7,116,250
Federal Home Loan Mortgage Corporation (FHLMC)	(3,051,270)	3,051,270
Federal National Mortgage Obligation Fund	(1,005,940)	1,005,940
First American Treasury Obligation Fund	(1,259,476)	1,259,476
GASB Statement No. 3	$ 7,922,444	$12,432,936

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 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2006 on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. The tangible personal property tax is being phased out over a four-year period, with certain tangible property used in manufacturing immediately exempt from the tax. Tangible personal property is currently assessed at 12.50 percent of true value.

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

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

6. PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, 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 2007 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, 2007, was $9.10 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Agricultural/Residential Real Property	$663,786,460	64.50
Other Real Property	182,238,180	17.70
Tangible Personal Property	142,591,230	13.85
Public Utility Personal Property	40,708,300	3.95
Total Assessed Value	$1,029,324,170	100.00%

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 the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State of Ohio then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales and use tax were credited to the General Fund, the Auto License and Gas Fund and the Permanent Improvement Fund during 2007. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2007. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2007 amounted to $4,095,521 in the General Fund, $2,731,670 in the Auto License and Gas Fund and $1,365,306 in the non-major funds, for a total of $8,192,497.

8. RECEIVABLES

Receivables at December 31, 2007, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), interfund, special assessments, accrued interest, intergovernmental receivables arising from grants, entitlements and shared revenues, notes, and loans. The special assessments receivable in the enterprise funds represent amounts that have been assessed to property owners on the tax duplicate for the sewer system. Special assessments expected to be collected in more than one year for the County amount to $300,338 for the Sewer Fund and $97,741 for governmental funds. The County has $59,820 delinquent special assessments at December 31, 2007.

8. RECEIVABLES (Continued)

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

	Juvenile/Probate Court Fines	Clerk of Court Fines	Other Receivables	Total Receivables
Receivable	$364,798	$4,708,325	$537,079	$5,610,202
Allowance for Uncollectibles	(201,697)	(4,193,928)	0	(4,395,625)
Net Accounts Receivable	$163,101	$514,397	$537,079	$1,214,577

A summary of intergovernmental receivables follows:

Governmental Activities	
Election Cost Reimbursement	$22,054
Local Government	656,511
Congregate Site and Home Delivered	3,716
Miscellaneous Reimbursements	5,560
Public Defender Reimbursement	30,160
Personal Property Exemption	27,720
Homestead and Rollback	361,959
Motor Vehicle License Tax	1,124,211
Electric Deregulation	30,217
Gasoline Tax	1,202,206
Excess IRP	89,204
Foster Care	8,922
Waiver IV	1,988
Miscellaneous Public Assistance Reimbursements	1,592
Area Agency on Aging Transportation/Daycare	2,828
ODE Title VI-B	51,850
ODE Handicap Pre-School	37,895
ODE Title V	208
MRDD Provider Support	129,481
United Way Allocation	6,500
Title XX	19,671
CHIP-CDBG	47,088
Prisoner Housing	10,854
ODE Unit Funding	377,782
ODE Subsidy payments	79,712
Victims of Crime Assistance Grant	18,043
Community Corrections Act	30,871
SVAA Grant	41,109
Cell Phone Tax	10,678
Indigent Mentals Reimbursement	6,519
Judges Reimbursement	1,693
Daycare Grant	36,000
Childrens' Services Underfunded	1,493
CSEA Underfunded	16,411
Public Assistance Underfunded	86,958
Excess Law Library Fines	3,345
Total Governmental Activities	4,583,009

8. RECEIVABLES (Continued)

Enterprise Funds	
Medicare Reimbursement	329,219
Agency Funds	
Library and Local Government	946,942
Local Government	1,439,361
Homestead and Rollback	44,737
Electric Deregulation	23,676
Excess IRP	10,538
Motor Vehicle License Tax	336,046
Gasoline Tax	625,086
Homeland Security Equipment Grant	2,504
Personal Property Exemption	991
Citizen's Emergency Response Grant	3,968
Ohio Children's Trust	8,633
WIC Administration	100,068
Well Child Direct Care Services	26,648
Public Health Infrastructure	78,315
Help Me Grow Grant	38,057
Pooled Family Stability	382
Total Agency Funds	3,685,952
Total All Funds	$8,598,180

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 house. At December 31, 2007, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was $935,840. The County has an outstanding loan receivable from the Fair Board in the amount of $22,500. The loan is an interest free loan that was issued in 1997. These amounts include $825,847 and $22,500 which are expected to be collected in more than one year.

FINANCIAL CONDITION
SHELBY COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Restated Balance at 12/31/2006	Additions	Deletions	Balance at 12/31/2007
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$2,352,778	$10,735		$2,363,513
Depreciable Capital Assets:				
Buildings	27,011,643	270,557		27,282,200
Equipment	1,881,985	256,812	($39,749)	2,099,048
Furniture and Fixtures	158,035			158,035
Vehicles	4,580,565	481,025	(436,888)	4,624,702
Infrastructure	151,090,203	4,179,189		155,269,392
Total Depreciable Capital Assets	184,722,431	5,187,583	(476,637)	189,433,377
Less Accumulated Depreciation:				
Buildings	(8,439,727)	(672,975)		(9,112,702)
Equipment	(1,188,467)	(139,989)	39,749	(1,288,707)
Furniture and Fixtures	(113,039)	(14,062)		(127,101)
Vehicles	(2,934,202)	(320,599)	399,165	(2,855,636)
Infrastructure	(77,900,490)	(5,231,047)		(83,131,537)
Total Accumulated Depreciation	(90,575,925)	(6,378,672)	438,914	(96,515,683)
Depreciable Capital Assets, Net	94,146,506	(1,191,089)	(37,723)	92,917,694
Governmental Activities Capital Assets, Net	96,499,284	(1,180,354)	(37,723)	95,281,207
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	458,746			458,746
Construction in Progress	464,013		(464,013)	
Total Capital Assets Not Being Depreciated	922,759		(464,013)	458,746
Depreciable Capital Assets:				
Buildings	3,021,331	60,930		3,082,261
Equipment	206,718			206,718
Furniture and Fixtures	18,000			18,000
Vehicles	563,526	44,140	(19,733)	587,933
Infrastructure	9,815,650	1,360,016		11,175,666
Total Depreciable Capital Assets	13,625,225	1,465,086	(19,733)	15,070,578
Total Capital Assets At Historical Cost	14,547,984	1,465,086	(483,746)	15,529,324
Less Accumulated Depreciation:				
Buildings	(1,035,317)	(76,801)		(1,112,118)
Equipment	(173,905)	(4,109)		(178,014)
Furniture and Fixtures	(13,688)	(2,250)		(15,938)
Vehicles	(445,225)	(70,948)	19,733	(496,440)
Infrastructure	(2,275,340)	(221,809)		(2,497,149)
Total Accumulated Depreciation	(3,943,475)	(375,917)	19,733	(4,299,659)
Depreciable Capital Assets, Net	9,681,750	1,089,169		10,770,919
Business-Type Activities Capital Assets, Net	$10,604,509	$1,089,169	($464,013)	$11,229,665

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	$131,704
General Government - Judicial	49,849
Public Safety	374,903
Public Works	5,525,243
Health	7,565
Human Services	285,613
Economic Development and Assistance	3,795
Total Depreciation Expense	$6,378,672

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 2007, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

Coverages provided by the insurance pool are as follows:

Liability	
General Liability	2,000,000
Public Official Errors and Omissions Liability	2,000,000
Employee Benefit Liability	2,000,000
Auto Liability	2,000,000
Public Official Errors and Omissions	2,000,000
Automobile Liability	2,000,000
Crime	
Employee Dishonesty	500,000
Money and Securities	150,000
Excess Liability	4,000,000
Excess Healthcare Professional Liability	3,000,000
Excess Crime Liability	
Employee Dishonesty	2,000,000
Money and Securities	25,000
Property	62,106,000
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.

10. RISK MANAGEMENT (Continued)

B. Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 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.

C. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2007, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool (See Note 22). The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

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

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

11. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The County's contribution rate for pension benefits for January through June 2007 was 8.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.17 percent of covered payroll. The County's contribution rate for pension benefits for July through December 2007 was 7.85 percent, except fro those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.17 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, 2007, 2006, and 2005 were $1,245,855, $1,368,853, $1,309,914, respectively; 88 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were $50,528 made by the County and $34,660 made by the plan members.

B. State Teachers Retirement System of Ohio

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2007, 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 2006. 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 June 30, 2007, 2006 and 2005 were $87,594, 87,446, and $84,899 respectively; 97 percent has been contributed for fiscal year 2007 and 100 percent for 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were $3,049 made by the plan members and $0 by the County.

12. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care for the period of January through June 2007 and 6.00 percent was the portion that was used to fund health care for July through December 2007.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 5.00 percent for the next 8 years. In the 9th year and beyond, heath care costs were assumed to increase at 4.00 percent annually (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund post-employment benefits were $794,572. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future heath care expenses.

12. POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled $6,738 for 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was $4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

13. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Compensated Absences

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

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

A. Operating Leases

The County leases copiers and equipment for the Clerk of Courts, Probate Court, Board of Elections and Fair Haven under non-cancelable-operating leases. Total costs were $3,712 for the year ended December 31, 2007. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	
2008	$1,354
2009	1,355
2010	1,354
2011	1,241
Total	$5,304

B. Capital Leases

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments in 2007 totaled $8,162 in the governmental funds and $5,592 in the enterprise funds.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of $80,431, 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, 2007, was $48,568 and the carrying value was $31,863. For business-type activities, capital assets have been capitalized in the amount of $16,390. These assets were totally depreciated at December 31, 2007.

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, 2007.

Fiscal Year Ending June 30,	Governmental Activities Amounts
2008	$9,947
2009	7,199
2010	3,664
2011	3,361
Total	24,171
Less: Amount Representing Interest	(2,501)
Present Value of Net Minimum Lease Payments	$21,670

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

15. LONG-TERM DEBT OBLIGATIONS

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

	Balance at 12/31/06	Increases	Decreases	Balance at 12/31/07	Due Within One Year
Notes Payable:					
2003 Elliot Ditch Special Assessment Bond Anticipation Note – 3.25%	$5,640		$2,820	$2,820	$2,820
2005 Platvoit Ditch Improvement Special Assessment Note – 3.55%	92,742		23,185	69,557	23,185
Total Notes Payable	98,382		26,005	72,377	26,005
OWDA Loan Payable:					
1992 Meadowlane – 7.62%	27,575		4,736	22,839	2,548
General Obligation Bonds Payable:					
2004 MRDD Series A Refunding Bonds – 4.75%	412,000		138,000	274,000	64,000
2004 MRDD Series B Refunding Bonds - 4.75%	712,000		238,000	474,000	110,000
Total Bonds Payable	1,124,000		376,000	748,000	174,000
Other Long-Term Obligations:					
Compensated Absences Payable	1,483,725	$956,150	860,587	1,579,288	95,508
Obligations Under Capital Lease	29,832		8,162	21,670	8,702
Total Other Long-Term Obligations	1,513,557	956,150	868,749	1,600,958	104,210
Total General Long-Term Obligations	$2,763,514	$956,150	$1,275,490	$2,444,174	$306,763

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

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

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

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

15. LONG-TERM DEBT OBLIGATIONS (Continued)

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

Changes in the long-term obligations reported in the enterprise funds during 2007 were as follows:

	Balance at 12/31/06	Increases	Decreases	Balance at 12/31/07	Due Within One Year
Loans Payable:					
1998 OPWC Loan – 0.00%	$43,125		$3,750	$39,375	$1,875
1991 OWDA Loan – 7.59%	1,207,996		269,724	938,272	145,098
2005 OWDA Loan – 3.75%	1,561,577	$1,349	53,667	1,509,259	27,590
2005 OWDA Loan – 5.00%	3,904		3,904		
2006 OWDA Loan - 0.00%	104,270	539,530		643,800	16,095
Total Loans	2,920,872	540,879	331,045	3,130,706	190,658
Other Long-Term Obligations:					
Compensated Absences Payable	297,393	222,023	195,773	323,643	23,517
Obligations Under Capital Lease	5,592		5,592		
Total Other Long-Term Obligations	302,985	222,023	210,365	323,643	23,517
Total General Long-Term Obligations	$3,223,857	$762,902	$541,410	$3,454,349	$214,175

The OPWC loan is a twenty year loan that was issued in the amount of $75,000 for the purpose of making improvements to the Arrowhead Hills Water System. It is being repaid from the Sewer Enterprise Fund's operating revenues. The first OWDA loan is a twenty year loan that was issued in the amount of $3,659,308 for the purpose of making improvements to the Loramie Sewer District. It is being repaid from special assessments received within the Sewer Enterprise Fund. The second OWDA loan is a twenty year loan in the amount of $1,562,925 for the Fort Loramie Flow Equalization Project. The third and fourth OWDA loans are for the planning and construction of the McCartyville Sewer Collection System. The planning loan was rolled into the construction loan during 2006 and 2007. This loan is a twenty year loan.

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, 2007, are an overall debt margin of $23,486,198 and an unvoted debt margin of $9,546,336.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(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:

	Governmental Activities							
	Elliot Ditch Special Assessment Note		Platvoit Ditch Special Assessment Note		General Obligation OWDA Loan		General Obligation Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$2,820	$458	$23,186	$2,448	$2,548	$870	$174,000	$35,530
2009			23,185	1,624	5,292	1,420	183,000	27,265
2010			23,186	802	5,694	1,050	191,000	18,573
2011					6,128	709	200,000	9,500
2012					3,177	242		
2013-2014								
Totals	$2,820	$458	$69,557	$4,874	$22,839	$4,291	$748,000	$90,868

	Business-Type Activities					
	1998 OWDA		2005 OWDA		2006 OWDA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2008	$145,098	$35,607	$27,590	$28,299	$16,095	
2009	301,209	60,201	56,743	55,035	32,190	
2010	324,071	37,341	58,889	52,887	32,190	
2011	167,894	12,814	61,119	50,659	32,190	
2012			63,433	48,345	32,190	
2013-2017			355,047	203,840	160,950	
2018-2022			427,526	131,363	160,950	
2023-2027			458,912	44,087	160,950	
2028					16,095	
Totals	$938,272	$145,963	$1,509,259	$614,515	$643,800	$0

	OPWC Loan	
Year	Principal	Interest
2008	$1,875	
2009	3,750	
2010	3,750	
2011	3,750	
2012	3,750	
2013-2017	18,750	
2018	3,750	
Totals	$39,375	$0

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, 2007, 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 $34,670,000 outstanding at December 31, 2007. During 2001, health care facilities revenue bonds were issued with the principal amount of $15,690,000 outstanding at December 31, 2007. During 2002, health care facilities revenue bonds were issued with the principal amount of $45,190,000 outstanding at December 31, 2007. 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 $7,310,000, $2,461,589, and $1,309,302 outstanding, respectively, at December 31, 2007. 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, 2007, 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. $4,416 of the General Fund interfund receivable is not expected to be paid within one year, and $154,725 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 Receivable

Interfund Payable	General Fund	Public Assistance Fund	Auto License and Gas Fund	MRDD Fund	Non-major Governmental Funds	Total
General Fund			$9,150		$86,960	$96,110
Public Assistance Fund						
MRDD Fund			5,256			5,256
Non-major Governmental Funds	$20,227	$47,545	352	$354	111,669	180,147
Sewer Fund			630		67,297	67,927
Total	$20,227	$47,545	$15,388	$354	$265,926	$349,440

The additional amount of interfund payables and interfund receivables is due to enterprise funds. The General Fund had an interfund payable to the Recycling Fund of $15 and the MRDD had an interfund payable to the Recycling Fund of $8. Non-major governmental funds had an interfund payable to the Fair Haven Fund of $23,611. The Fair Haven Fund had an interfund payable to the Recycling Fund of $30.

16. INTERFUND TRANSACTIONS (Continued)

The General Fund had transfers out equal to $182,914, which was to subsidize various programs. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The MRDD Fund transferred $308,000 to the Construction Fund for a boiler replacement project. Among non-major funds, the Other Legislative and Executive Special Revenue Fund transferred $11,000 to the Other Judicial Fund for its share of project costs, the Permanent Improvement Fund transferred $150,000 to the Construction Fund to help with the boiler repairs for MRDD, and transferred $350,000 to the Sewer Fund to help with the OWDA project. The Ditch Construction Fund transferred $25,249 to the Ditch Maintenance fund.

17. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2007, the County had contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/07
Ferguson Construction	Jail Roof Repair	$ 49,999		$ 49,999
Werling Construction	CHIP Projects	63,928		63,928
Totals		$113,927	$0	$113,927

18. 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(c)(3) from federal income tax. It is also currently exempt from federal unemployment tax and Ohio franchise, personal property, and sales taxes. The payroll of the Thomas Edison Center became subject to social security (FICA) coverage due to the Social Security Amendments of 1983. S and H Products operates on a fiscal year which ran from July 1, 2006, to June 30, 2007.

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.

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

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At June 30, 2007, all of the assets of the component unit are unrestricted, except for $90,429 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 $227,573 and the bank balance was $233,836.

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, 2007, $10 of the government’s bank balance of $233,836 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution’s agent but not in the County’s name.

As of June 30, 2007, S and H Products had the County had the following investments with maturities less than one year:

Investment Type	Carrying Value
T Rowe Price Equity Income Fund	$48,706
Managers Fremont Bond Fund	75,731
Schwab Yieldplus Select	124,491
Fairholme Fund	29,528
Hussman Strategic Growth Fund	25,324
Third Avenue Value Fund	36,461
Dodge and Cox Balanced Fund	96,805
Total	$437,046

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

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

18. NOTES TO THE FINANCIAL STATEMENTS FOR DISCRETELY PRESENTED COMPONENT UNIT (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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$110,980	$553,889
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	116,843	(116,843)
GASB Statement No. 3	$227,573	$437,046

D. Capital Assets

A summary of S and H Products capital assets at June 30, 2007, follows:

Leasehold Improvements	$17,555
Shop and Office Equipment	123,572
Transportation Equipment	131,908
Total Capital Assets Being Depreciated	273,035
Less Accumulated Depreciation	(182,606)
Total Capital Assets, Net	$90,429

It is the component unit's policy to capitalize all assets in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over an estimated useful life of 25 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to $18,572.

E. Segment Information

Net working capital for S and H Products was $569,447. During 2007, S and H Products acquired capital assets in the amount of $3,525 and disposed of capital assets in the amount of $1,107.

F. Related Party Transactions

S&H Products received $144 from Shelby County for goods and services provided during fiscal year 2007. Shelby County provided facilities, equipment, transportation and salaries for administration, implementation, and supervision programs to S&H Products during fiscal year 2007 with an estimated value of $226,243. This amount and the corresponding expenditure are reflected in the financial statements.

19. 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 2007, the County contributed $80,054 (50 percent) of total revenue for the operation of the agency. The agency is a joint venture since it cannot continue to exist without the financial support of the County. The County does not have an equity interest in the joint venture. The agency is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Marc Burdiss, Director, located at 800 Fair Road, Sidney, Ohio 45365.

B. Shelby County Regional Planning Commission

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2007, the County contributed $42,136 to the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Gary Bensman, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

20. 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 2007, a tax levy provided $572,524 (26 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, Preble, Hardin, and Union counties. WestCON was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Developmental Disabilities (MRDD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West CON. The Board consists of one delegate, who is the Superintendent, from each of the participating MRDD Boards. During 2007, the County Board allocated payments to WestCON were $260,185.

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 2007, 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.

21. RELATED ORGANIZATION

A. 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 2007, the County did not have any financial contributions to the operation of the SMHA.

22. INSURANCE POOLS

A. The County Commissioners' Association of Ohio Service Corporation

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner. During 2007, the County did not have any financial contributions to the operation of the CCAOSC.

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.

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

The additional income and related expenses are reflected in the financial statements of the component unit. In 2007, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were $226,243. In other transactions with Shelby County, S and H Products received $144 from the County for goods and services.

B. Residential Services Support Inc.

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

As of December 31, 2007, RSSI managed six properties on behalf of Shelby County MRDD. The total amount of Community Capital Assistance funding passed through to RSSI during 2007 was $73,000. The total outstanding mortgage for all properties held by RSSI on behalf of the MRDD as of December 31, 2007 is $252,655. MRDD is legally obligated to pay the debt of RSSI should they be unable to. The likely hood of default of the debt by RSSI is considered remote and therefore no liability is reflected on the County’s financial statements at December 31, 2007.

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.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ ***Pass Through Grantor*** **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
(Passed Through Ohio Department of Development):			
Community Development Block Grant	B-C-05-070-1	14.228	$49,059
	B-F-05-070-1		15,000
	B-F-06-070-1		87,000
	B-W-06-070-1		505,291
Total Community Development Block Grant			656,350
Home Investment Partnership Program	B-C-05-070-2	14.239	152,124
Total U.S. Department of Housing and Urban Development			808,474
U.S. DEPARTMENT OF JUSTICE			
(Passed Through Ohio Department of Criminal Justice):			
Edward Byrne Justice Assistance Grant	2005-JG-D01-6433	16.738	2,731
			2,731
Crime Victims Assistance	N/A	16.575	24,058
Total U.S. Department of Justice			26,789
U.S. DEPARTMENT OF EDUCATION			
(Passed Through Ohio Department of Education):			
Special Education Cluster:			
Title VI-B - Special Education Grants to States	071159-6B-SF-07P	84.027	51,047
	071159-6B-SF-08P		34,213
Total Special Education Grants to States			85,260
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-07P	84.173	41,782
	071159-PG-SI-08P		22,502
Total Special Education Preschool Grants			64,284
Total Special Education Cluster			149,544
Title V - State Grants for Innovative Programs	071159-C2-S1-2007	84.298	199
Total U.S. Department of Education			149,743
U.S. DEPARTMENT OF LABOR			
(Passed Through Ohio Department of Job and Family Services):			
Workforce Investment Act Cluster:			
Workforce Investment Act-Adult	N/A	17.258	82,796
Workforce Investment Act-Adult Administrative			2,492
Workforce Investment Act-Adult Total			85,288
Workforce Investment Act-Youth	N/A	17.259	96,955
Workforce Investment Act-Youth Administrative			1,922
Workforce Investment Act-Youth Total			98,877
Workforce Investment Act-Dislocated	N/A	17.260	117,894
Workforce Investment Act-Rapid Response			8,888
Workforce Investment Act - Workkeys			2,340
Workforce Investment Act-Dislocated Administrative			2,705
Workforce Investment Act-Dislocated Total			131,827
Total Workforce Investment Act Cluster			315,992
Total U.S. Department of Labor			315,992

Continued

SHELBY COUNTY
FINANCIAL CONDITION

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

Federal Grantor/ *Pass Through Grantor* Program Title	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed Through Ohio Department of Job and Family Services)			
Family Preservation and Support Services Grant	N/A	93.556	66,676
Title IV-B - Child Welfare Services State Grants	N/A	93.645	34,057
Chaffee Foster Care Independence Program	N/A	93.674	2,424
(Passed Through Area Agency on Aging):			
Title III-B - Special Programs for the Aging	N/A	93.044	35,308
Title III-C - Special Programs for the Aging	N/A	93.045	77,627
Nutrition Services Incentive Program	N/A	93.053	15,333
(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities):			
Title XX - Social Services Block Grant	MR-75-FY07	93.667	19,808
	MR-75-FY08		10,132
Total Title XX - Social Services Block Grant			29,940
State Children's Insurance Program			
Targeted Case Management	N/A	93.767	265
Medicaid (Medical Assistance Program)			
Targeted Case Management	7500010-CY04	93.778	92
	7500010-CY06		22,335
	7500010-CY07		82,684
Total Targeted Case Management			105,111
Waiver Administration	7500010-CY06	93.778	2,056
	7500010-CY07	93.778	250,264
	7500010-CY08	93.778	16,367
Total Waiver Administration			268,687
Total Medicaid (Medical Assistance Program)			373,798
Total U.S. Department of Health and Human Services			635,428
FEDERAL HIGHWAY ADMINISTRATION			
(Passed through the Ohio Department of Transportation)			
Highway Planning and Construction	SHE-CR40-6.05	20.205	882,656
Total Federal Assistance			$2,819,082

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— SUBRECIPIENTS

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

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

NOTE C— COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under this program was $935,840.

NOTE D — MATCHING REQUIREMENTS

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

NOTE E – COMMINGLING

Federal funds received from Medicaid, Area Agency on Aging, and Crime Victims Assistance grants were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 31, 2008. 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 on our opinion on the County's financial statements. This report does not include the results of the other Auditor's testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

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

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Internal Control Over Financial Reporting
(Continued)

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

We noted certain matters that we reported to the County's management in a separate letter dated July 31, 2008.

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 matter we must report under *Government Auditing Standards.*

We did note certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 31, 2008.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2008

Mary Taylor, CPA
Auditor of State

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Shelby County, (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in finding 2007-001 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applying to its Workforce Investment Act. Compliance with this requirement is necessary, in our opinion, for the County to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above applying to each of its major federal programs for the year ended December 31, 2007. In a separate letter to the County's management dated July 31, 2008, we reported a matter related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

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

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

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2007-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2007-001 described in the accompanying schedule of findings to be a material weakness. We also noted a matter involving internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated July 31, 2008.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2008

FINANCIAL CONDITION
SHELBY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant: 14.228 Workforce Investment Cluster: 17.258, 17.259, 17.260 Highway Planning and Construction: 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2007-001
CFDA Title and Number	Workforce Investment Act Cluster: CFDA 17.258, 17.259, 17.260
Federal Agency	U.S. Department of Labor
Pass-Through Agency	Ohio Department of Job and Family Services

Material Noncompliance / Material Weakness

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

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

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

Ohio Department of Job and Family Services has established a 10 day disbursement cycle for the Workforce Investment Act (WIA) program. During the period of April through October and December 2007 the County Department of Job and Family Services had cash on hand exceeding the 10 day average daily need for the WIA program as follows:

April	$ 56,002
May	20,533
June	14,676
July	56,363
August	137,067
September	130,104
October	135,104
December	6,190

During the months of August, September, and October 2007 the excess cash on hand held in the grant fund represented over 35% of the total 2007 WIA grant award of $380,000.

The excess cash on hand during those three months was due to the Shelby County Department of Jobs and Family Services receiving reimbursement for Random Moment Sampling (RMS) costs incurred during fiscal year 2006 that were due to the County Public Assistance fund for time spent on the WIA program. The Department received the reimbursements during April, July, and August 2007 but did not expend the funds until November 2007. The failure of the Department to monitor expenditures and cash on hand resulted in significant amounts of program cash on hand during 2007, contrary to the federal program requirement.

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

Client Response:

Shelby County plans to implement a procedure that will delay the reporting of WIA RMS costs until final RMS statistics are tabulated and available. It is the intent of this procedure to avoid being reimbursed for estimated expenditures and to initiate accurate payments to the Public Assistance Fund as deposits are received. By reporting costs with this method, the Area 7 Fiscal Office should issue payment for all RMS costs on the first cash draw following the last month of the quarter. This will enable the Department to reimburse the Public Assistance Fund for an entire quarter in one transaction. This should help keep the average daily fund cash balance within the 10 days required in the CFR. The Fiscal Unit also intends to review WIA cash on hand during its regular weekly meeting on fund cash balances. Any identified issue or discrepancy relating to cash on hand will be researched internally and with the Area 7 Fiscal Office to determine the reason for the excess.

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 26, 2008

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