



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets – Primary Government and Discretely Presented Component Unit.....	13
Statement of Activities - Primary Government and Discretely Presented Component Unit.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Change in Fund Balance Budget (Budget Basis) and Actual:	
General Fund.....	23
Public Assistance Fund .....	24
Motor Vehicle and Gasoline Tax Fund (MVGT) .....	25
Mental Retardation and Developmental Disabilities Fund (MRDD) .....	26
Statement of Net Assets – Proprietary Funds .....	27
Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds .....	28
Statement of Cash Flows – Business Type Activities .....	29
Statement of Fiduciary Net Assets – Fiduciary Funds .....	30
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	31
Notes to the Basic Financial Statements .....	33
Schedule of Federal Awards Expenditures.....	71
Notes to the Schedule of Federal Awards Expenditures .....	74
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	75
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance In Accordance With OMB A-133 .....	77
Schedule of Findings.....	79

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Shelby County  
129 East Court Street  
Sidney, Ohio 45365

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2005, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of S & H Products which represents 100 percent of the assets, liabilities, net assets, and revenues of the discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the discretely presented component unit on the report of the other auditors.

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

In our opinion, based upon 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Public Assistance, Motor Vehicle 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 September 27, 2006, 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of Federal awards expenditures provides additional information 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.

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

**Betty Montgomery**  
Auditor of State

September 27, 2006

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Shelby County's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

- The County's total net assets increased \$4,647,511 during 2005. Net assets of governmental activities increased \$4,655,598 (approximately twelve percent), due mostly to the receipt of prior year's Medicaid amounts in the MRDD Fund, the addition of land and bridge capitalized assets and an effort to reduce expenditures County-wide. Net assets of business-type activities decreased by \$8,087 (less than one percent).
- The General Fund transfers out equaled \$316,751. Out of this total, \$147,835 in transfers was to the Public Assistance Fund; \$111,000 was to the Sewer Enterprise Fund, and \$57,916 was to subsidize various programs.
- Business-type operations showed total operating revenue of \$7,394,776 and total operating expenses of \$7,513,980 for an operating loss of \$119,204. The Fair Haven Fund and the Recycling Fund reflected an operating gain, but the Sewer Fund had an operating loss. Total business-type unrestricted net assets were \$1,604,079. This total includes \$670,166 for Fair Haven, \$729,962 for Sewer, and \$203,951 for Recycling.
- Capital assets, net of accumulated depreciation, increased \$3,687,862 for governmental activities. Most of this was due to land purchased and the many bridge projects that were completed during 2005.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand Shelby County's financial situation as a whole and also give a detailed view of the County's fiscal condition. The Statement of Net Assets and Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column.

**REPORTING THE COUNTY AS A WHOLE**

**Statement of Net Assets and the Statement of Activities**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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 Gasoline Tax, Mental Retardation and Developmental Disabilities (MRDD), Bond Retirement Debt Service, Fair Haven, and Sewer.

**Governmental Funds** – Most of the County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Assets looks at the County as a whole. Table 1 provides a summary of the County's net assets for 2005 compared to 2004.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and Other Assets	\$27,741,475	\$26,776,079	\$2,283,225	\$2,213,913	\$30,024,700	\$28,989,992
Capital Assets	29,545,916	25,858,054	8,688,809	8,800,571	38,234,725	34,658,625
Total Assets	<u>57,287,391</u>	<u>52,634,133</u>	<u>10,972,034</u>	<u>11,014,484</u>	<u>68,259,425</u>	<u>63,648,617</u>
<b>Liabilities</b>						
Long-Term Liabilities						
Due within One Year	245,770	292,828	146,209	146,916	391,979	439,744
Due in More Than One Year	2,864,216	3,075,685	1,797,787	1,887,946	4,662,003	4,963,631
Other Liabilities	<u>10,079,526</u>	<u>9,823,339</u>	<u>396,893</u>	<u>340,390</u>	<u>10,476,419</u>	<u>10,163,729</u>
Total Liabilities	<u>13,189,512</u>	<u>13,191,852</u>	<u>2,340,889</u>	<u>2,375,252</u>	<u>15,530,401</u>	<u>15,567,104</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	27,268,357	23,805,277	7,027,066	7,045,600	34,295,423	30,850,877
Restricted for:						
Other Purposes	12,459,070	11,960,117	0	0	12,459,070	11,960,117
Debt Service	10,804	15,141	0	0	10,804	15,141
Capital Outlay	1,787,856	1,222,377	0	0	1,787,856	1,222,377
Unrestricted	<u>2,571,792</u>	<u>2,439,369</u>	<u>1,604,079</u>	<u>1,593,632</u>	<u>4,175,871</u>	<u>4,033,001</u>
Total Net Assets	<u>\$44,097,879</u>	<u>\$39,442,281</u>	<u>\$8,631,145</u>	<u>\$8,639,232</u>	<u>\$52,729,024</u>	<u>\$48,081,513</u>

Equity in Pooled Cash and Cash Equivalents increased about 20 percent mostly due to increased Medicaid reimbursements to MRDD (for prior years) and increased Medicare reimbursements at Fair Haven due to more activity. Accrued interest receivable increased due to the rise in interest rates as well as larger cash balances. Due from other governments decreased about 20 percent, mostly because of decreased motor vehicle license revenue. Property taxes receivable decreased about 3 percent due to a large decrease in delinquent personal property taxes. Notes receivable decreased around 6 percent from the prior year due to several notes being paid off during 2005. Special assessments receivable decreased due to payments received from property owners in 2004 that outpaced the new assessments being levied for the year.

Contracts and retainage payable increased due to the bridge replacement projects and sewer projects going on near the end of 2005. Due to other governments increased due to the timing of the retirement payments and a smaller premium reduction for the 2005 worker's compensation.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Invested in capital assets, net of related debt, increased due to a land purchase and the many bridge replacement projects done during 2005. Net assets restricted for other purposes increased mostly because of the increase in MRDD Fund revenues for prior year Medicaid amounts. The increase in net assets restricted for capital outlay was mostly due to the decrease in uncapitalized expenditures of the Permanent Improvement Fund and the increase in sales tax revenue to that fund.

Total net assets increased \$4,647,511. Net assets of the County's governmental activities increased by \$4,655,598, with unrestricted net assets increasing \$132,423. Unrestricted net assets increased mainly due to equity in pooled cash and cash equivalents increasing due to expenses being less than revenues for 2005 for the General Fund. The County has been working hard to keep expenses under decreasing revenues. For 2005, the County saw an increase in revenues so unrestricted net assets increased.

The net assets of the County's business-type activities decreased by \$8,087, while reporting a total operating loss during 2005. Fair Haven and the Recycling Fund saw operating incomes and increases in net assets, but the Sewer fund had an operating loss and a decrease in net assets. The County strives to control operation expenses for business-type activities in order to maintain stability in charges for services.

Table 2 shows the changes in net assets for the year ended December 31, 2005, as compared with the year ended December 31, 2004.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$6,140,752	\$5,886,011	\$7,375,353	\$7,321,737	\$13,516,105	\$13,207,748
Operating Grants, Contributions and Interest	13,294,983	12,134,516			13,294,983	12,134,516
Capital Grants and Contributions		71,227	25,832	6,571	25,832	77,798
<b>Total Program Revenues</b>	<b>19,435,735</b>	<b>18,091,754</b>	<b>7,401,185</b>	<b>7,328,308</b>	<b>26,836,920</b>	<b>25,420,062</b>
General Revenues:						
Property and Other Taxes	8,188,879	7,513,749			8,188,879	7,513,749
Permissive Sales Tax	7,819,211	7,379,341			7,819,211	7,379,341
Grants and Entitlements	2,059,370	2,095,388			2,059,370	2,095,388
Other	541,237	219,622	19,469	19,231	560,706	238,853
<b>Total General Revenues</b>	<b>18,608,697</b>	<b>17,208,100</b>	<b>19,469</b>	<b>19,231</b>	<b>18,628,166</b>	<b>17,227,331</b>
<b>Total Revenues</b>	<b>38,044,432</b>	<b>35,299,854</b>	<b>7,420,654</b>	<b>7,347,539</b>	<b>45,465,086</b>	<b>42,647,393</b>

(Continued)

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Program Expenses:						
General Government						
Legislative and Executive	4,783,788	4,224,374			4,783,788	4,224,374
Judicial	2,195,718	2,153,711			2,195,718	2,153,711
Public Safety	4,851,173	4,690,953			4,851,173	4,690,953
Public Works	6,315,940	5,619,486			6,315,940	5,619,486
Health	216,129	282,452			216,129	282,452
Human Services	13,825,726	13,990,906			13,825,726	13,990,906
Economic Development and Assistance	455,510	822,279			455,510	822,279
Intergovernmental	418,713	414,616			418,713	414,616
Interest and Fiscal Charges	115,246	104,158			115,246	104,158
Fair Haven	0	0	6,422,302	6,178,018	6,422,302	6,178,018
Sewer	0	0	965,914	895,117	965,914	895,117
Recycling	0	0	251,416	238,199	251,416	238,199
Total Expenses	<u>33,177,943</u>	<u>32,302,935</u>	<u>7,639,632</u>	<u>7,311,334</u>	<u>40,817,575</u>	<u>39,614,269</u>
Increase(Decrease) in Net Assets						
Before Transfers	4,866,489	2,996,919	(218,978)	36,205	4,647,511	3,033,124
Transfers	(210,891)	(198,697)	210,891	198,697		
Increase (Decrease) in Net Assets	<u>\$4,655,598</u>	<u>\$2,798,222</u>	<u>(\$8,087)</u>	<u>\$234,902</u>	<u>\$4,647,511</u>	<u>\$3,033,124</u>

**Governmental Activities**

Operating Grants and Grants and Entitlements are the largest sources of revenue for Shelby County. These make up approximately 40 percent of total revenues for 2005. The major recipients of intergovernmental program revenues were the Public Assistance, Auto License and Gas, and MRDD Funds.

Property and other taxes made up about 22 percent of total revenues for 2005. Property tax revenue increased by about 9 percent due to the collection of a large amount of omitted personal property taxes.

Permissive sales tax is the next largest source of revenue for the County. The County received \$7,819,211 in 2005 or about 21 percent of total revenues.

The County's direct charges to users of governmental services made up around 51 percent of total governmental revenues for 2005. 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 one percent of revenue was from interest and miscellaneous revenues.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Human services programs accounted for approximately 42 percent of total expenses for governmental activities. Public works makes up approximately 19 percent of total expenses. Other major program expenses for governmental activities include public safety programs, which accounted for approximately 15 percent of total expenses, as well as general government legislative and executive, making up another 14 percent. General government legislative and executive expenditures increased by 13 percent over the prior year due mostly to voting equipment purchased through a federal grant received as part of the Help America Vote Act.

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 five million for capital assets, maintenance and repairs. These assets included the purchase of land and safety and road maintenance equipment and vehicles, as well as bridge replacements.

**Business-Type Activities**

The net assets for business-type activities decreased by \$8,087 during 2005. Charges for services were the largest revenue source, accounting for over 97 percent of total business-type activities revenues.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>2005</u>		<u>2004</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Current:				
General Government:				
Legislative and Executive	\$4,783,788	\$1,859,976	\$4,224,374	\$1,660,235
Judicial	2,195,718	1,402,922	2,153,711	1,421,235
Public Safety	4,851,173	3,932,079	4,690,953	4,298,262
Public Works	6,315,940	1,521,878	5,619,486	407,896
Health	216,129	80,396	282,452	91,254
Human Services	13,825,726	4,419,212	13,990,906	5,801,723
Economic Development and Assistance	455,510	48,349	822,279	63,502
Intergovernmental	418,713	362,150	414,616	362,916
Interest and Fiscal Charges	115,246	115,246	104,158	104,158
Total Expenses	<u>\$33,177,943</u>	<u>\$13,742,208</u>	<u>\$32,302,935</u>	<u>\$14,211,181</u>

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

Program Revenues (Charges for services, and operating grants) of approximately 51 percent of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 49 percent of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**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 \$38,929,995 and expenditures of \$37,302,697.

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 \$2,025,870 while total fund balance was \$2,122,473, an increase of \$117,340 from the prior year.

The Public Assistance fund balance decreased \$292,679. This decrease was due mainly to an increase in the human services expenditures.

The Auto License and Gasoline Tax fund balance decreased \$381,117. This decrease was due primarily to the many bridge projects completed during 2005 which brought the balance down a little.

The MRDD fund balance increased \$2,204,453 due largely to an increase in intergovernmental revenue from Medicaid reimbursements from prior years.

The enterprise funds reflect an operating loss for 2005. Charges for services for Recycling services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Fair Haven had an operating income of \$101,758, due mostly to increased Medicare services provided by the County Home. The County Home became a skilled nursing facility in 2002 and is now starting to see increased revenues from it.

The Sewer Fund had an operating loss of \$224,411. 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 \$199,732 in 2005.

**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 cash 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 2005, the General Fund had original appropriations of \$11,980,813 and final appropriations of \$12,067,687. Actual expenditures plus encumbrances for 2005 were \$11,600,739.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Land	\$1,511,757	\$521,770	\$458,746	\$458,746
Construction in Progress	1,017,800	327,949	160,229	0
Buildings	19,241,049	19,447,659	2,032,215	2,107,872
Equipment	611,212	378,949	37,195	41,577
Furniture and Fixtures	59,058	73,120	6,562	8,812
Vehicles	1,472,181	1,389,560	135,135	146,944
Infrastructure	5,632,859	3,719,047	5,858,727	6,036,620
<b>Totals</b>	<b>\$29,545,916</b>	<b>\$25,858,054</b>	<b>\$8,688,809</b>	<b>\$8,800,571</b>

The increase in infrastructure was the result of the bridge replacement projects completed during 2005. The construction in progress at year-end for governmental activities is bridge replacement projects not yet completed. The construction in progress for business-type activities is the new McCartyville Sewer system project and the Fort Loramie Wastewater Treatment Plant Flow Equalization Project. See Note 10 of the notes to the basic financial statements for more detailed capital asset information.

**Debt**

At December 31, 2005, Shelby County had \$1,683,922 in long-term governmental debt outstanding, and \$1,661,743 in long-term enterprise debt.

**Table 5  
Outstanding Debt at Year End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
General Obligation Bonds	\$1,502,000	\$1,883,000	\$0	\$0
Loans Payable	31,976	36,065	1,652,073	1,742,328
Notes Payable	124,387	11,280	0	0
Capital Leases	25,559	44,777	9,670	12,643
<b>Totals</b>	<b>\$1,683,922</b>	<b>\$1,975,122</b>	<b>\$1,661,743</b>	<b>\$1,754,971</b>

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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Obligations under governmental activities capital leases will be paid from the General Fund and the Public Assistance Special Revenue Fund.

The County's overall legal debt margin was \$23,122,684 as of December 31, 2005. The more restrictive unvoted legal debt margin was \$9,383,065 as of the same date. See Note 17 of the notes to the basic financial statements for more detailed information.

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

Obligations under business-type activities capital lease will be paid from the Fair Haven County Home Fund.

**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 Joe DeWeese, County Auditor, Shelby County, 129 East Court Street, Sidney, Ohio 45365.

**This page intentionally left blank.**



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT  
DECEMBER 31, 2005**

	<b>Primary Government</b>			<b>Component Unit S and H Products</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,943,774	\$1,051,547	\$12,995,321	
Cash and Cash Equivalents in Segregated Accounts	31,412	5,153	36,565	\$104,847
Investments in Segregated Accounts				307,554
Accrued Interest Receivable	63,023		63,023	4,238
Permissive Sales Tax Receivable	1,181,885		1,181,885	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	616,906	207,219	824,125	33,935
Inventory of Supplies and Materials	199,481	7,493	206,974	
Due from Other Governments	4,402,722	286,341	4,689,063	
Property and Other Taxes Receivable	7,638,412		7,638,412	
Prepaid Items	164,834	2,095	166,929	
Internal Balances	47,803	(47,803)		
Notes Receivable	998,110		998,110	
Special Assessments Receivable	421,601	771,180	1,192,781	
Loans Receivable	22,500		22,500	125,000
Deferred Charges	9,012		9,012	
Depreciable Capital Assets, Net	27,016,359	8,069,834	35,086,193	109,256
Capital Assets, Not Being Depreciated	2,529,557	618,975	3,148,532	
<b>Total Assets</b>	<b>57,287,391</b>	<b>10,972,034</b>	<b>68,259,425</b>	<b>684,830</b>
<b>Liabilities</b>				
Accounts Payable	461,910	120,615	582,525	2,764
Contracts Payable	358,656		358,656	
Retainage Payable	50,735		50,735	
Accrued Wages Payable	290,624	144,359	434,983	10,046
Due to Other Governments	544,732	127,385	672,117	1,966
Accrued Interest Payable	15,802	3,598	19,400	
Matured Compensated Absences Payable		936	936	
Notes Payable	750,000		750,000	
Deferred Revenue	7,607,067		7,607,067	
Long Term Liabilities:				
Due Within One Year	245,770	146,209	391,979	
Due in More Than One Year	2,864,216	1,797,787	4,662,003	
<b>Total Liabilities</b>	<b>13,189,512</b>	<b>2,340,889</b>	<b>15,530,401</b>	<b>14,776</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	27,268,357	7,027,066	34,295,423	109,256
Restricted for:				
Other Purposes	12,459,070		12,459,070	
Debt Service	10,804		10,804	
Capital Outlay	1,787,856		1,787,856	
Unrestricted	2,571,792	1,604,079	4,175,871	560,798
<b>Total Net Assets</b>	<b>\$44,097,879</b>	<b>\$8,631,145</b>	<b>\$52,729,024</b>	<b>\$670,054</b>

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, 2005**

	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants Contributions and Interest</b>
<b>Governmental Activities:</b>			
General Government:			
Legislative and Executive	\$4,783,788	\$2,487,117	\$436,695
Judicial	2,195,718	541,615	251,181
Public Safety	4,851,173	743,258	175,836
Public Works	6,315,940	657,338	4,136,724
Health	216,129	135,602	131
Human Services	13,825,726	1,523,517	7,882,997
Economic Development and Assistance	455,510		407,161
Intergovernmental	418,713	52,305	4,258
Interest and Fiscal Charges	115,246		
<b>Total Governmental Activities</b>	<b>33,177,943</b>	<b>6,140,752</b>	<b>13,294,983</b>
<b>Business-type activities:</b>			
Fair Haven	6,422,302	6,501,003	\$3,391
Sewer	965,914	619,485	
Recycling	251,416	254,865	22,441
<b>Total business-type activities</b>	<b>7,639,632</b>	<b>7,375,353</b>	<b>25,832</b>
<b>Total primary government</b>	<b>\$40,817,575</b>	<b>\$13,516,105</b>	<b>\$13,294,983</b>
<b>Component Unit</b>			
S and H Products	\$544,572	\$135,546	\$387,904
			\$0

**General Revenues:**  
Property Taxes Levied for:  
    General Purposes  
    Other Purposes  
    Debt Service  
County Permissive Motor Vehicle License Taxes  
    Levied for Public Works  
Permissive Sales Taxes Imposed for:  
    General Purposes  
    Permanent Improvements  
    Public Works  
Grants and Entitlements not  
    Restricted to Specific Programs  
Unrestricted Investment Earnings  
Increase 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.

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>S and H Products</b>
(\$1,859,976)		(\$1,859,976)	
(1,402,922)		(1,402,922)	
(3,932,079)		(3,932,079)	
(1,521,878)		(1,521,878)	
(80,396)		(80,396)	
(4,419,212)		(4,419,212)	
(48,349)		(48,349)	
(362,150)		(362,150)	
(115,246)		(115,246)	
<u>(13,742,208)</u>		<u>(13,742,208)</u>	
	\$82,092	82,092	
	(346,429)	(346,429)	
	25,890	25,890	
	<u>(238,447)</u>	<u>(238,447)</u>	
<u>(13,742,208)</u>	<u>(238,447)</u>	<u>(13,980,655)</u>	
			(\$21,122)
2,300,777		2,300,777	
5,279,619		5,279,619	
469,974		469,974	
138,509		138,509	
4,131,052		4,131,052	
1,080,627		1,080,627	
2,607,532		2,607,532	
2,059,370		2,059,370	
470,212	46	470,258	24,711
31,409		31,409	
39,616	19,423	59,039	3,341
(210,891)	210,891		
<u>18,397,806</u>	<u>230,360</u>	<u>18,628,166</u>	<u>28,052</u>
4,655,598	(8,087)	4,647,511	6,930
<u>39,442,281</u>	<u>8,639,232</u>	<u>48,081,513</u>	<u>663,124</u>
<u>\$44,097,879</u>	<u>\$8,631,145</u>	<u>\$52,729,024</u>	<u>\$670,054</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Public Assistance</b>	<b>Auto License and Gasoline</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,350,493	\$167,043	\$3,501,058
Cash and Cash Equivalents in Segregated Accounts	12,999		
Cash and Cash Equivalents with Fiscal Agents			
Investments in Segregated Accounts			
Receivables:			
Property and Other Taxes	2,242,778		11,628
Permissive Sales Tax	590,952		393,949
Accounts (Net, where applicable, of Uncollectible Accounts)	451,897	7,979	18,992
Interfund	25,525		11,733
Special Assessments			
Accrued Interest	63,023		
Due from Other Governments	960,141	10,239	2,357,912
Prepaid Items	126,948	6,970	2,639
Inventory of Supplies and Materials	67,005	7,692	122,339
Notes Receivable			
Loans Receivable	22,500		
<b>Total Assets</b>	<b>\$5,914,261</b>	<b>\$199,923</b>	<b>\$6,420,250</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$88,916	\$111,323	\$116,029
Contracts Payable			246,512
Retainage Payable			50,735
Accrued Wages Payable	141,515	34,938	23,079
Due to Other Governments	189,953	110,202	36,013
Interfund Payable	61,536	941	
Accrued Interest Payable			
Notes Payable			
Deferred Revenue	3,309,868	87,331	1,556,268
<b>Total Liabilities</b>	<b>3,791,788</b>	<b>344,735</b>	<b>2,028,636</b>
<b>Fund Balances</b>			
Reserved for Encumbrances	30,884	44,594	528,715
Reserved for Advances	13,808		
Reserved for Loans Receivable	22,500		
Reserved for Notes Receivable			
Reserved for Unclaimed Monies	29,411		
Unreserved:			
Undesignated, Reported in:			
General Fund	2,025,870		
Special Revenue Funds		(189,406)	3,862,899
Debt Service Funds			
Capital Projects Funds			
<b>Total Fund Balances</b>	<b>2,122,473</b>	<b>(144,812)</b>	<b>4,391,614</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,914,261</b>	<b>\$199,923</b>	<b>\$6,420,250</b>

*See accompanying notes to the basic financial statements.*

<b>MRDD</b>	<b>Bond Retirement Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$2,519,238	\$15,031	\$4,390,911 18,413	\$11,943,774 31,412
5,153,661	230,345	196,984	7,638,412 1,181,885
1,860		136,178	616,906
51,800		136,223	225,281
	147,723	273,878	421,601
			63,023
726,835		347,595	4,402,722
21,652		6,625	164,834
1,029		1,416	199,481
		998,110	998,110
			22,500
<u>\$8,476,075</u>	<u>\$393,099</u>	<u>\$6,506,333</u>	<u>\$27,909,941</u>
\$93,472		\$52,170 112,144	\$461,910 358,656
		-	50,735
58,955		32,137	290,624
89,040		119,524	544,732
5,631	\$3,443	105,927	177,478
		9,375	9,375
		750,000	750,000
<u>5,640,470</u>	<u>378,068</u>	<u>583,918</u>	<u>11,555,923</u>
<u>5,887,568</u>	<u>381,511</u>	<u>1,765,195</u>	<u>14,199,433</u>
14,866		241,636	860,695
25,200		118,268	157,276
			22,500
		794,857	794,857
			29,411
2,548,441		2,684,143	2,025,870 8,906,077
	11,588		11,588
		902,234	902,234
<u>2,588,507</u>	<u>11,588</u>	<u>4,741,138</u>	<u>13,710,508</u>
<u>\$8,476,075</u>	<u>\$393,099</u>	<u>\$6,506,333</u>	<u>\$27,909,941</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Total Governmental Fund Balances</b>		<b>\$13,710,508</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		29,545,916
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	\$171,065	
Intergovernmental	2,864,139	
Accounts Receivable	489,752	
Special Assessments	406,142	
Interest	<u>17,758</u>	
<b>Total</b>		<b>3,948,856</b>
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.		9,012
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	(6,427)	
General Obligation Bonds	(1,502,000)	
Special Assessment Long-Term Note	(124,387)	
OWDA Loan	(31,976)	
Capital Leases	(25,559)	
Compensated Absences	<u>(1,426,064)</u>	
<b>Total</b>		<b><u>(3,116,413)</u></b>
<b>Net Assets of Governmental Activities</b>		<b><u>\$44,097,879</u></b>

*See accompanying notes to the basic financial statements.*

**This page intentionally left blank.**

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Public Assistance</b>	<b>Auto License and Gasoline</b>
<b>Revenues</b>			
Property and Other Taxes	\$2,303,842		\$138,509
Permissive Sales Tax	4,131,052		2,607,532
Intergovernmental	1,724,931	\$3,821,510	4,378,613
Charges for Services	2,596,828	373,488	233,131
Licenses and Permits	2,535		
Fines and Forfeitures	241,259		
Special Assessments			
Interest	464,697		100,482
Increase in Fair Value of Investments	31,409		
Contributions and Donations			
Other	106,281	232,052	103,653
<b>Total Revenues</b>	<b>11,602,834</b>	<b>4,427,050</b>	<b>7,561,920</b>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	3,486,346		
Judicial	1,909,718		
Public Safety	4,021,229		
Public Works	864,366		8,068,994
Health	81,959		
Human Services	469,620	4,856,392	
Economic Development and Assistance			
Intergovernmental	414,455		
Capital Outlay			
Debt Service:			
Principal Retirement	8,665	10,553	
Interest and Fiscal Charges	1,740	619	
<b>Total Expenditures</b>	<b>11,258,098</b>	<b>4,867,564</b>	<b>8,068,994</b>
Excess of Revenues Over (Under) Expenditures	344,736	(440,514)	(507,074)
<b>Other Financing Sources (Uses)</b>			
Proceeds of Notes			
Proceeds from Sale of Capital Assets	62,352		
Transfers - In	27,003	147,835	125,957
Transfers - Out	(316,751)		
<b>Total Other Financing Sources (Uses)</b>	<b>(227,396)</b>	<b>147,835</b>	<b>125,957</b>
Net Change in Fund Balances	117,340	(292,679)	(381,117)
Fund Balances Beginning of Year - Restated Note 3	2,005,133	147,867	4,772,731
<b>Fund Balances End of Year</b>	<b>\$2,122,473</b>	<b>(\$144,812)</b>	<b>\$4,391,614</b>

*See accompanying notes to the basic financial statements.*



<b>MRDD</b>	<b>Bond Retirement Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$5,290,355	\$470,443		\$8,203,149
		\$1,080,627	7,819,211
2,944,141		2,931,415	15,800,610
24,175		1,476,492	4,704,114
		105,621	108,156
		86,207	327,466
	9,305	273,794	283,099
		618	565,797
			31,409
		97,141	97,141
166,087		381,770	989,843
<u>8,424,758</u>	<u>479,748</u>	<u>6,433,685</u>	<u>38,929,995</u>
		1,061,448	4,547,794
		221,851	2,131,569
		525,367	4,546,596
		445,110	9,378,470
		130,301	212,260
6,172,926		2,316,950	13,815,888
		451,715	451,715
		4,258	418,713
		1,277,233	1,277,233
	387,909		407,127
9,641	93,957	9,375	115,332
<u>6,182,567</u>	<u>481,866</u>	<u>6,443,608</u>	<u>37,302,697</u>
2,242,191	(2,118)	(9,923)	1,627,298
		115,927	115,927
			62,352
		95,654	396,449
(37,738)		(252,851)	(607,340)
<u>(37,738)</u>		<u>(41,270)</u>	<u>(32,612)</u>
2,204,453	(2,118)	(51,193)	1,594,686
384,054	13,706	4,792,331	12,115,822
<u>\$2,588,507</u>	<u>\$11,588</u>	<u>\$4,741,138</u>	<u>\$13,710,508</u>

**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, 2005**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$1,594,686</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
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	\$5,083,356	
Depreciation	<u>(1,208,399)</u>	
Excess of Capital Outlay over Depreciation Expense		3,874,957
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	(62,352)	
Loss on Sale of Assets	<u>(124,743)</u>	
		(187,095)
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	381,000	
Elliot Ditch Special Assessment Note Principal Payments	2,820	
OWDA Loan Principal Payments	4,089	
Capital Lease Principal Payments	<u>19,218</u>	
		407,127
New debt issues are recorded as other financing sources and uses in the funds, but are recorded as long-term obligations in the statement of net assets.		
Proceeds of long-term notes		(115,927)
Issuance costs associated with long-term debt are reported as deferred charges and amortized over the life of the debt in the statement of net assets, but are expended in the funds.		
Amortization of issuance costs		(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	(14,270)	
Intergovernmental	(1,066,504)	
Charges for Services	50,949	
Fines and Forfeitures	35,935	
Licenses and Permits	(673)	
Special Assessments	103,485	
Interest	<u>5,515</u>	
		(885,563)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Decrease in Accrued Interest	1,213	
Increase in Compensated Absences	<u>(32,673)</u>	
		<u>(31,460)</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$4,655,598</u></u></b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (BUDGET BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$2,182,250	\$2,182,250	\$2,281,385	\$99,135
Permissive Sales Tax	4,400,000	4,400,000	4,326,513	(73,487)
Intergovernmental	1,753,200	1,753,200	1,770,182	16,982
Charges for Services	2,395,615	2,395,615	2,619,772	224,157
Licenses and Permits	4,010	4,010	2,535	(1,475)
Fines and Forfeitures	259,100	259,100	240,813	(18,287)
Interest	225,650	225,650	439,441	213,791
Other	109,500	109,500	105,896	(3,604)
<b>Total Revenues</b>	<b>11,329,325</b>	<b>11,329,325</b>	<b>11,786,537</b>	<b>457,212</b>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	3,458,766	3,515,563	3,413,832	101,731
Judicial	1,984,129	1,985,812	1,936,153	49,659
Public Safety	4,122,570	4,104,537	4,049,577	54,960
Public Works	882,788	909,462	889,153	20,309
Health	111,328	110,891	98,649	12,242
Human Services	579,904	589,236	462,546	126,690
Intergovernmental	414,455	414,455	414,455	
<b>Total Expenditures</b>	<b>11,553,940</b>	<b>11,629,956</b>	<b>11,264,365</b>	<b>365,591</b>
Excess of Revenues Over (Under) Expenditures	(224,615)	(300,631)	522,172	822,803
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	10,000	10,000	62,352	52,352
Advances In	25,000	25,000	24,801	(199)
Advances Out		(19,623)	(19,623)	
Transfers - In			27,003	27,003
Transfers - Out	(426,873)	(418,108)	(316,751)	101,357
<b>Total Other Financing Sources (Uses)</b>	<b>(391,873)</b>	<b>(402,731)</b>	<b>(222,218)</b>	<b>180,513</b>
<b>Net Change in Fund Balance</b>	<b>(616,488)</b>	<b>(703,362)</b>	<b>299,954</b>	<b>1,003,316</b>
Fund Balance Beginning of Year	772,489	772,489	772,489	
Prior Year Encumbrances Appropriated	107,619	107,619	107,619	
<b>Fund Balance End of Year</b>	<b>\$263,620</b>	<b>\$176,746</b>	<b>\$1,180,062</b>	<b>\$1,003,316</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (BUDGET BASIS) AND ACTUAL  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$3,838,597	\$4,108,092	\$3,976,338	(\$131,754)
Charges for Services	430,000	444,777	403,979	(40,798)
Other	121,500	212,202	247,428	35,226
Total Revenues	4,390,097	4,765,071	4,627,745	(137,326)
<b>Expenditures</b>				
Current:				
General Government:				
Human Services	4,680,135	4,994,822	4,984,807	10,015
Total Expenditures	4,680,135	4,994,822	4,984,807	10,015
Excess of Revenues Under Expenditures	(290,038)	(229,751)	(357,062)	(127,311)
<b>Other Financing Sources (Uses)</b>				
Advances -Out	(50,000)	(50,000)		50,000
Transfers - In	150,000	150,000	147,835	(2,165)
Total Other Financing Sources (Uses)	100,000	100,000	147,835	47,835
Net Change in Fund Balance	(190,038)	(129,751)	(209,227)	(79,476)
Fund Balance at Beginning of Year	29,762	29,762	29,762	
Prior Year Encumbrances Appropriated	205,100	205,100	205,100	
<b>Fund Balance at End of Year</b>	<u>\$44,824</u>	<u>\$105,111</u>	<u>\$25,635</u>	<u>(\$79,476)</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET (BUDGET BASIS) AND ACTUAL  
AUTO LICENSE AND GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property and Other Taxes	\$125,000	\$125,000	\$136,611	\$11,611
Permissive Sales Tax	2,200,000	2,200,000	2,662,859	462,859
Intergovernmental	3,897,000	3,897,000	4,318,884	421,884
Charges for Services	145,000	145,000	226,616	81,616
Interest	40,000	40,000	97,224	57,224
Other	29,000	29,000	102,990	73,990
<b>Total Revenues</b>	<b>6,436,000</b>	<b>6,436,000</b>	<b>7,545,184</b>	<b>1,109,184</b>
<b>Expenditures</b>				
Current:				
Public Works	10,002,886	9,974,086	8,623,497	1,350,589
<b>Total Expenditures</b>	<b>10,002,886</b>	<b>9,974,086</b>	<b>8,623,497</b>	<b>1,350,589</b>
Excess of Revenues Under Expenditures	(3,566,886)	(3,538,086)	(1,078,313)	2,459,773
<b>Other Financing Sources</b>				
Operating Transfers In			125,957	125,957
<b>Net Change in Fund Balance</b>	<b>(3,566,886)</b>	<b>(3,538,086)</b>	<b>(952,356)</b>	<b>2,585,730</b>
Fund Balance at Beginning of Year	3,027,089	3,027,089	3,027,089	
Prior Year Encumbrances Appropriated	539,797	539,797	539,797	
<b>Fund Balance at End of Year</b>	<b>\$0</b>	<b>\$28,800</b>	<b>\$2,614,530</b>	<b>\$2,585,730</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (BUDGET BASIS) AND ACTUAL  
MENTAL RETARDATION AND DEVELOPMENT DISABILITIES FUND (MRDD)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property and Other Taxes	\$5,418,000	\$5,418,000	\$4,784,904	(\$633,096)
Intergovernmental	1,843,345	1,843,345	2,898,231	1,054,886
Charges for Services	25,704	25,704	24,175	(1,529)
Other	185,450	185,450	164,417	(21,033)
<b>Total Revenues</b>	<b>7,472,499</b>	<b>7,472,499</b>	<b>7,871,727</b>	<b>399,228</b>
<b>Expenditures</b>				
Current:				
Human Services	6,710,886	6,647,762	6,440,125	207,637
Debt Service:				
Principal Retirement	75,000	125,000	125,000	
Interest and Fiscal Charges	6,000	9,365	8,959	406
<b>Total Expenditures</b>	<b>6,791,886</b>	<b>6,782,127</b>	<b>6,574,084</b>	<b>208,043</b>
Excess of Revenues Over Expenditures	680,613	690,372	1,297,643	607,271
<b>Other Financing Sources (Uses)</b>				
Advances In		131,500	79,700	(51,800)
Transfers - Out		(37,738)	(37,738)	
<b>Total Other Financing Sources (Uses)</b>		<b>93,762</b>	<b>41,962</b>	<b>(51,800)</b>
Net Change in Fund Balance	680,613	784,134	1,339,605	555,471
Fund Balance at Beginning of Year	876,830	876,830	876,830	
Prior Year Encumbrances Appropriated	81,689	81,689	81,689	
<b>Fund Balance at End of Year</b>	<b>\$1,639,132</b>	<b>\$1,742,653</b>	<b>\$2,298,124</b>	<b>\$555,471</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Enterprise Funds</b>			
	<b>Fair Haven</b>	<b>Sewer</b>	<b>Other Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$803,856	\$46,919	\$200,772	\$1,051,547
Cash and Cash Equivalents in Segregated Accounts	5,153			5,153
Accounts Receivable	137,705	46,944	22,570	207,219
Inventory of Supplies and Materials	5,930		1,563	7,493
Due from Other Governments	286,341			286,341
Prepaid Items	934	1,161		2,095
Interfund Receivable	11,789	360	38	12,187
Special Assessments Receivable		170,374		170,374
<b>Total Current Assets</b>	<b>1,251,708</b>	<b>265,758</b>	<b>224,943</b>	<b>1,742,409</b>
Non-current Assets:				
Special Assessments Receivable - net of current portion		600,806		600,806
Non-Depreciable Capital Assets	17,031	550,406	51,538	618,975
Depreciable Capital Assets, Net	1,704,812	6,162,228	202,794	8,069,834
<b>Total Noncurrent Assets</b>	<b>1,721,843</b>	<b>7,313,440</b>	<b>254,332</b>	<b>9,289,615</b>
<b>Total Assets</b>	<b>2,973,551</b>	<b>7,579,198</b>	<b>479,275</b>	<b>11,032,024</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	94,643	23,450	2,522	120,615
Accrued Wages Payable	137,255	4,509	2,595	144,359
Matured Compensated Absences Payable	936			936
Due to Other Governments	116,938	6,693	3,754	127,385
Interfund Payable	38	59,952		59,990
Compensated Absences Payable	13,480	1,076	352	14,908
Capital Leases Payable	4,078			4,078
OPWC Loans Payable		1,875		1,875
OWDA Loans Payable		125,348		125,348
<b>Total Current Liabilities</b>	<b>367,368</b>	<b>222,903</b>	<b>9,223</b>	<b>599,494</b>
Long-Term Liabilities:				
Accrued Interest Payable		3,598		3,598
Compensated Absences Payable - net of current portion	218,252	37,324	11,769	267,345
Capital Leases Payable - net of current portion	5,592			5,592
OPWC Loans Payable - net of current portion		45,000		45,000
OWDA Loans Payable - net of current portion		1,479,850		1,479,850
<b>Total Long-Term Liabilities</b>	<b>223,844</b>	<b>1,565,772</b>	<b>11,769</b>	<b>1,801,385</b>
<b>Total Liabilities</b>	<b>591,212</b>	<b>1,788,675</b>	<b>20,992</b>	<b>2,400,879</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,712,173	5,060,561	254,332	7,027,066
Unrestricted	670,166	729,962	203,951	1,604,079
<b>Total Net Assets</b>	<b>\$2,382,339</b>	<b>\$5,790,523</b>	<b>\$458,283</b>	<b>\$8,631,145</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Fair Haven</b>	<b>Sewer</b>	<b>Other Business-Type Activities</b>	
<b>Operating Revenues</b>				
Charges for Services	\$6,501,003	\$619,485	\$101,271	\$7,221,759
Sales			153,594	153,594
Other	19,423			19,423
<b>Total Operating Revenues</b>	<u>6,520,426</u>	<u>619,485</u>	<u>254,865</u>	<u>7,394,776</u>
<b>Operating Expenses</b>				
Personal Services	4,639,761	291,864	156,101	5,087,726
Contractual Services	780,469	293,575	54,186	1,128,230
Materials and Supplies	752,241	56,052	9,791	818,084
Depreciation	70,701	199,732	27,390	297,823
Other	175,496	2,673	3,948	182,117
<b>Total Operating Expenses</b>	<u>6,418,668</u>	<u>843,896</u>	<u>251,416</u>	<u>7,513,980</u>
Operating Income (Loss)	101,758	(224,411)	3,449	(119,204)
<b>Non-Operating Revenues (Expenses)</b>				
Interest			46	46
Interest and Fiscal Charges	(3,634)	(122,018)		(125,652)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(3,634)</u>	<u>(122,018)</u>	<u>46</u>	<u>(125,606)</u>
Income (Loss) Before Capital Contributions and Transfers	98,124	(346,429)	3,495	(244,810)
Capital Contributions	3,391		22,441	25,832
Transfers In		210,891		210,891
Change in Net Assets	101,515	(135,538)	25,936	(8,087)
Net Assets Beginning of Year	<u>2,280,824</u>	<u>5,926,061</u>	<u>432,347</u>	<u>8,639,232</u>
<b>Net Assets End of Year</b>	<u><u>\$2,382,339</u></u>	<u><u>\$5,790,523</u></u>	<u><u>\$458,283</u></u>	<u><u>\$8,631,145</u></u>

*See accompanying notes to the basic financial statements.*



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
DECEMBER 31, 2005**

	Fair Haven	Sewer	Other Business-Type Activities	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers and Support	\$6,660,629	\$765,684	\$257,923	\$7,684,236
Cash Received from Other Operating Receipts	19,423			19,423
Cash Payments for Employee Services and Benefits	(4,609,475)	(290,321)	(156,889)	(5,056,685)
Cash Payments to Suppliers	(1,499,737)	(347,948)	(65,212)	(1,912,897)
Cash Payments for Other Operating Expenses	(185,133)	(2,673)	(3,948)	(191,754)
Net Cash Provided by Operating Activities	<u>385,707</u>	<u>124,742</u>	<u>31,874</u>	<u>542,323</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers - In		210,891		210,891
Advances In		53,387	9,000	62,387
Net Cash Provided by Noncapital Financing Activities		<u>264,278</u>	<u>9,000</u>	<u>273,278</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Lease Principal Payments	(2,973)			(2,973)
Lease Interest Payments	(3,634)			(3,634)
Acquisition of Capital Assets		(160,229)		(160,229)
Loan Proceeds		146,505		146,505
Loan Principal Payments		(236,760)		(236,760)
Loan Interest Payments		(118,421)		(118,421)
Net Cash Used for Capital and Related Financing Activities	<u>(6,607)</u>	<u>(368,905)</u>		<u>(375,512)</u>
<b>Cash Flows from Investing Activities</b>				
Interest			46	46
Net Increase in Cash and Cash Equivalents	379,100	20,115	40,920	440,135
Cash and Cash Equivalents Beginning of Year	429,909	26,804	159,852	616,565
Cash and Cash Equivalents End of Year	<u>\$809,009</u>	<u>\$46,919</u>	<u>\$200,772</u>	<u>\$1,056,700</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
<b>Operating Income (Loss)</b>	\$101,758	(\$224,411)	\$3,449	(\$119,204)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation	70,701	199,732	27,390	297,823
<b>Changes in Assets and Liabilities:</b>				
(Increase)Decrease in Accounts Receivable	105,867	(8,872)	3,073	100,068
(Increase) Decrease in Inventory of Supplies and Materials	(285)	400	(384)	(269)
Decrease in Due from Other Governments	65,548			65,548
Increase in Prepaid Items	(8)	(87)		(95)
Increase in Interfund Receivable	(11,789)	(360)	(15)	(12,164)
Decrease in Special Assessments Receivable		155,431		155,431
Increase (Decrease) in Accounts Payable	22,850	1,543	(851)	23,542
Increase (Decrease) in Accrued Wages	(3,464)	12	266	(3,186)
Increase in Due to Other Governments	35,516	748	610	36,874
Increase (Decrease) in Interfund Payable	38	(122)		(84)
Increase (Decrease) in Compensated Absences Payable	(1,025)	728	(1,664)	(1,961)
Net Cash Provided by Operating Activities	<u>\$385,707</u>	<u>\$124,742</u>	<u>\$31,874</u>	<u>\$542,323</u>

**Non-Cash Transactions:**

During 2005, the Fair Haven Fund had capital contributions for capital assets transferred from governmental funds with an original cost of \$46,202 and accumulated depreciation of \$42,811, for a book value of \$3,391. Other Business-Type activities received capital assets acquired through a grant in the amount of \$22,441.

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$39,905	\$3,267,513
Cash and Cash Equivalents in Segregated Accounts		454,006
Investments in Segregated Accounts		79,615
Receivables:		
Property and Other Taxes		46,382,567
Accounts (Net, where applicable, of Uncollectible Accounts)		417,088
Special Assessments		188,901
Accrued Interest		1,733
Due from Other Governments		3,793,692
Total Assets	39,905	54,585,115
<b>Liabilities</b>		
Accounts Payable	271	117,726
Due to Other Governments		51,392,606
Undistributed Monies		3,048,621
Deposits Held and Due to Others		26,162
Total Liabilities	271	\$54,585,115
<b>Net Assets</b>		
Held in Trust for Pool Participants	\$39,634	

*See accompanying notes to the basic financial statements.*

FINANCIAL CONDITION  
SHELBY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Miscellaneous	\$23,341
<b>Deductions:</b>	
Distributions to Participants	<u>14,005</u>
Change in Net Assets	9,336
Net Assets Beginning of Year	<u>30,298</u>
<b>Net Assets End of Year</b>	<u><u>\$39,634</u></u>

*See accompanying notes to the basic financial statements.*

**This page intentionally left blank.**

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION**

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

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

**A. Reporting Entity**

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

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

**Discretely Presented Component Unit**

The component unit column in the 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 20.

**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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

Shelby County General Health District  
Shelby County Soil Conservation District  
Shelby County Regional Planning Commission  
Shelby County 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, Related Organizations, 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 21 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 Partnership, Inc. (the Partnership), and the North Central Ohio Solid Waste Management District (the District), are presented in Note 22 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 23. A related organization is an organization for which the County appoints a majority of the governing board but for which there is no potential benefit or burden and no authority to impose the will of the County.

The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool), the Midwest Employee Benefit Consortium (MEBC), and the County Commissioners' Association of Ohio Service Corporation (CCAOSC) are presented in Note 24 and Note 25. 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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 proprietary 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 proprietary 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. 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 proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**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 required assistance from the County General Fund used to provide public assistance to general relief recipients, medical assistance, and certain public social services.

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

**Mental Retardation and Developmental Disabilities Fund (MRDD)** – 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.

**Bond Retirement Debt Service Fund** – This fund is used to account for various revenues collected for the payment of debt.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose.

**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 are used to account for any activity for which a fee is charged to external users for goods or services. The following are the 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.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

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

Like the government-wide statements, all proprietary 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 proprietary activities.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary 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 Transactions**

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 7). 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 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (See Note 8), 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, 2005, but were levied to finance 2006 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**G. Expenses/Expenditures**

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

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

**H. Cash and Cash Equivalents**

Cash balances of the County's funds, except cash and cash equivalents in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Cash and cash equivalents that are held separately by S and H Products and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts." Investments that are held separately by S and H Products and within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Investments in Segregated Accounts."

During 2005, the County invested in the following: Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), First American Treasury Obligations, United States Treasury Bills and United States Treasury Notes.

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

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

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$464,697 was credited to the General Fund during 2005, which includes \$427,552 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which services are consumed.

**L. Interfund Receivables/Payables**

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

**M. Capital Assets**

General capital assets are capital assets that are associated with and generally rise from governmental activities. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets used by the proprietary 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. The County has chosen not to add prior year infrastructure until required in 2007. 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:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

In governmental funds, the County's infrastructure system consists of bridges and culverts. The County only reports the amounts acquired after 2002. The County plans to phase in the prior year amounts in future years. In the proprietary funds, infrastructure consists of sewer lines.

**N. Compensated Absences**

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

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

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

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

**O. Accrued Liabilities and Long-Term Obligations**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**P. Capital Contributions**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted for other purposes include funds for the operation of a school; resident homes for the 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.

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

**R. Operating Revenues and Expenses**

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

**S. Reserves of Fund Balance**

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

**T. Interfund Transactions**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**U. Estimates**

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

**V. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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 2005.

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

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

**A. Change in Accounting Principle**

For 2005, the County has implemented GASB Statement No. 40, *“Deposit and Investment Risk Disclosures.”* GASB Statement No. 40 amends GASB Statement No. 3 by updating the custodial credit risk disclosures of Statement No. 3 and establishing more comprehensive disclosures for other common risks of deposits and investments.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR NET ASSETS/FUND BALANCE (Continued)**

**B. Restatement of Fund Balance**

“Equity in Pooled Cash and Cash Equivalents” were restated in the General Fund for the reclassification of agency funds which account for specific fines of the Sheriff’s Department. Since the monies all are paid into the General Fund, these funds were added to the General Fund for financial reporting purposes. Capital assets were also restated for errors. These changes had the following effect on fund balance of the General Fund and Net Assets of Governmental Activities as previously reported:

	<b>Fund Balance General Fund</b>	<b>Net Assets Governmental Activities</b>
Net Assets/Fund Balance, December 31, 2004	\$1,998,115	\$39,322,806
Restatement of Equity in Pooled Cash and Cash Equivalents	7,018	7,018
Restatement of Capital Assets		112,457
Restated Net Assets/Fund Balance, December 31, 2004	\$2,005,133	\$39,442,281

**4. ACCOUNTABILITY**

At December 31, 2005, the Public Assistance special revenue fund had a deficit fund balance of \$144,812 resulting from adjustments for accruals. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**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.

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

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

**Cash on hand:** At December 31, 2005, the County had \$20,548 in cash on hand.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

At December 31, 2005, the carrying amount of the County's deposits was \$9,987,954 and the bank balance was \$10,705,426.

**1. 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 beyond the requirements of state statute. As of December 31, 2005, \$9,585,428 of the government's bank balance of \$10,705,426 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, 2005, the County had the following investments and maturities:

<b>Investment Type</b>	<b>Carrying Value</b>	<b>Less Than One Year</b>	<b>One to Two Years</b>
Federal Home Loan Bank	\$1,820,651	\$1,220,065	\$600,586
Federal Home Loan Mortgage Corporation	302,081	74,045	228,036
Federal National Mortgage Association	84,442	84,442	0
First American Treasury Obligation Fund	2,270,502	2,270,502	0
US Treasury Bill	1,398,642	1,398,642	0
US Treasury Notes	988,105	988,105	0
<b>Total</b>	<b><u>\$6,864,423</u></b>	<b><u>\$6,035,801</u></b>	<b><u>\$828,622</u></b>

**1. 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.

**2. Concentration of Credit Risk**

The County places no limit on the amount it may invest in any one issuer. 27% of the County's investments at December 31, 2005 were in the Federal Home Loan Bank.

**3. 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, 2005. The County's investment in the First American Treasury Obligation was not rated at December 31, 2005.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 9 and No. 40 is as follows:

	<b>Primary Government</b>	
	<b>Cash and Cash</b>	
	<b>Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$16,793,310	\$79,615
Cash on Hand	(20,548)	0
Investments:		
Certificate of Deposit	79,615	(79,615)
Federal Home Loan Bank	(1,820,651)	1,820,651
Federal Home Loan Mortgage Corporation (FHLMC)	(302,081)	302,081
Federal National Mortgage Association (FNMA)	(84,442)	84,442
First American Treasury Obligation Fund	(2,270,502)	2,270,502
US Treasury Bills	(1,398,642)	1,398,642
U.S. Treasury Notes	(988,105)	988,105
GASB Statement No. 40	\$9,987,954	\$6,864,423

**6. 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 Change in Fund Balance - Budget and Actual (Budget Basis), presented for the General Fund, the Public Assistance Fund, the Auto License and Gasoline Tax 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. 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.
5. 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. BUDGETARY BASIS OF ACCOUNTING (Continued)**

6. 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.
7. Payments on debt obligations of the funds are treated as expenditures (budget basis) rather than as reductions in the liabilities (GAAP basis).
8. Short-term obligations are properly reported on the GAAP basis as a liability in the fund that received the proceeds. To properly reflect this, adjustments were made to move the debt activity (budget basis) to the fund that received the proceeds.

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 Gasoline Tax Fund and the MRDD Fund are as follows:

	<b>Net Change in Fund Balance</b>			
	<b>General</b>	<b>Public Assistance</b>	<b>Auto and</b>	<b>MRDD</b>
<b>GAAP Basis</b>	\$117,340	(\$292,679)	(\$381,117)	\$2,204,453
Adjustments:				
Revenue Accruals	209,741	132,736	(107,745)	(47,338)
Expenditure Accruals	193,672	27,029	321,767	(157,708)
Unrecorded Cash 2004	28,287	68,281	99,517	7,142
Unrecorded Cash 2005	(34,353)	(322)	(8,508)	0
Change in Fair Value of Investments 2004			0	0
Change in Fair Value of Investments 2005	11,259	0	0	0
Prepaid Items	(90,912)	(3,186)	1,750	(1,190)
Principal Retirement	0	0	0	(125,000)
Reallocation of Debt Activity	0	0	0	(506,033)
Encumbrances	(97,852)	(141,086)	(878,020)	(114,761)
Agency Fund Cash Allocation - 2004	62,746	0	0	106,693
Agency Fund Cash Allocation - 2005	(62,484)	0	0	(106,353)
Advances	5,178	0	0	79,700
<b>Budget Basis</b>	<u>\$299,954</u>	<u>(\$209,227)</u>	<u>(\$952,356)</u>	<u>\$1,339,605</u>

**7. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

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

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

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

Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, 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 2005 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, 2005, was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$599,288,380	55.12%
Other Real Property	169,856,800	15.62%
Tangible Personal Property	275,648,773	25.35%
Public Utility Personal Property	42,553,730	3.91%
Total Assessed Value	<u>\$1,087,347,683</u>	<u>100.00%</u>

**8. PERMISSIVE SALES AND USE TAX**

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

Proceeds of the permissive sales and use tax were credited to the General Fund, the Auto License and Gasoline Tax Fund and the Permanent Improvement Fund during 2005. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2005. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2005 amounted to \$4,131,052 in the General Fund, \$2,607,532 in the Auto License and Gasoline Tax Fund and \$1,080,627 in the non-major funds, for a total of \$7,819,211.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. RECEIVABLES**

Receivables at December 31, 2005, 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 proprietary funds represent amounts that have been assessed to property owners on the tax duplicate for the new sewer system. Special assessments expected to be collected in more than one year for the County amount to \$600,806 for the Sewer Fund and \$115,062 for governmental funds. The County has \$15,539 delinquent special assessments at December 31, 2005.

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:

	<b>Juvenile/ Probate Court Fines</b>	<b>Clerk of Court Fines</b>	<b>Other Receivables</b>	<b>Total Receivables</b>
Receivable	\$410,668	\$3,940,949	\$365,180	\$4,716,797
Allowance for Uncollectibles	(243,691)	(3,231,893)	0	(3,475,584)
Net Accounts Receivable	<u>\$166,977</u>	<u>\$709,056</u>	<u>\$365,180</u>	<u>\$1,241,213</u>

A summary of intergovernmental receivables follows:

<b>Governmental Activities</b>	<b>Amount</b>
Election Cost Reimbursement	\$54,871
Excess Law Library	6,065
Local Government	631,946
Local Government Revenue Assistance	106,775
Congregate Site and Home Delivered	6,702
Miscellaneous Reimbursements	8,363
Public Defender Reimbursement	30,477
Personal Property Exemption	47,555
Homestead and Rollback	275,452
Motor Vehicle License Tax	1,110,145
Electric Deregulation	37,772
Gasoline Tax	1,114,383
Excess IRP	85,084
CAFS	79,752
Waiver IV	1,040
Miscellaneous Public Assistance Reimbursements	10,239
Area Agency on Aging Transportation/Daycare	1,727
ODE Title VI-B	54,889
ODE Handicap Pre-School	37,165
ODE Title V	405

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. RECEIVABLES (Continued)**

Title XX	21,238
CHIP-CDBG	6,162
Prisoner Housing	18,293
ODE Unit Funding	294,137
ODE Subsidy payments	79,712
CHIP	2,016
Victims of Crime Assistance Grant	17,694
Community Corrections Act	25,510
SVAA Grant	35,037
Recycle Ohio Grant	4,532
Governor's Highway Safety Grant	48,300
Children's Services Underfunded	28,276
CSEA Underfunded	121,008
Total Governmental Activities	<u>4,402,722</u>
<b>Enterprise Funds</b>	
Medicare Reimbursement	<u>286,341</u>
<b>Agency Funds</b>	
Library and Local Government	980,813
Local Government	1,317,732
Local Government Revenue Assistance	222,449
Homestead and Rollback	34,045
Electric Deregulation	29,622
Excess IRP	10,276
Motor Vehicle License Tax	339,044
Gasoline Tax	586,702
Hazard Mitigation Planning Grant	14,598
Homeland Security Equipment Grant	113,622
Soil and Water Grant	16,998
Personal Property Exemption	1,980
Citizen's Emergency Response Grant	1,074
Ohio Children's Trust	8,632
Well Child Direct Care Services	27,324
Public Health Infrastructure	30,068
Help Me Grow Grant	57,973
Pooled Family Stability	740
Total Agency Funds	<u>3,793,692</u>
Total All Funds	<u>\$8,482,755</u>

**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, 2005, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$998,110. 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 \$794,857 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, 2005  
(Continued)**

**10. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<b>Restated Balance at 12/31/2004</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12/31/2005</b>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$521,770	\$1,018,337	(\$28,350)	\$1,511,757
Construction in Progress	327,949	1,211,701	(521,850)	1,017,800
Total Capital Assets Not Being Depreciated	<u>849,719</u>	<u>2,230,038</u>	<u>(550,200)</u>	<u>2,529,557</u>
Depreciable Capital Assets:				
Buildings	26,596,443	521,850	(106,650)	27,011,643
Equipment	1,392,752	338,801	(17,122)	1,714,431
Furniture and Fixtures	177,415			177,415
Vehicles	4,296,831	496,769	(276,413)	4,517,187
Infrastructure	3,771,421	2,017,748		5,789,169
Total Depreciable Capital Assets	<u>36,234,862</u>	<u>3,375,168</u>	<u>(400,185)</u>	<u>39,209,845</u>
Less Accumulated Depreciation:				
Buildings	(7,148,784)	(661,359)	39,549	(7,770,594)
Equipment	(1,013,803)	(105,467)	16,051	(1,103,219)
Furniture and Fixtures	(104,295)	(14,062)		(118,357)
Vehicles	(2,907,271)	(323,575)	185,840	(3,045,006)
Infrastructure	(52,374)	(103,936)		(156,310)
Total Accumulated Depreciation	<u>(11,226,527)</u>	<u>(1,208,399)</u>	<u>241,440</u>	<u>(12,193,486)</u>
Depreciable Capital Assets, Net	<u>25,008,335</u>	<u>2,166,769</u>	<u>(158,745)</u>	<u>27,016,359</u>
Governmental Activities Capital Assets, Net	<u>\$25,858,054</u>	<u>\$4,396,807</u>	<u>(\$708,945)</u>	<u>\$29,545,916</u>



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. CAPITAL ASSETS (Continued)**

	<u>Balance At 12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2005</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$458,746	\$0	\$0	\$458,746
Construction in Progress	0	160,229		160,229
Total Capital Assets Not Being Depreciated	<u>458,746</u>	<u>160,229</u>	<u>0</u>	<u>618,975</u>
Depreciable Capital Assets:				
Buildings	2,990,966			2,990,966
Equipment	206,718			206,718
Furniture and Fixtures	18,000			18,000
Vehicles	480,512	68,643		549,155
Infrastructure	<u>7,952,725</u>			<u>7,952,725</u>
Total Depreciable Capital Assets	<u>11,648,921</u>	<u>68,643</u>	<u>0</u>	<u>11,717,564</u>
Total Capital Assets At Historical Cost	<u>12,107,667</u>	<u>228,872</u>	<u>0</u>	<u>12,336,539</u>
Less Accumulated Depreciation:				
Buildings	(883,094)	(75,657)		(958,751)
Equipment	(165,141)	(4,382)		(169,523)
Furniture and Fixtures	(9,188)	(2,250)		(11,438)
Vehicles	(333,568)	(80,452)		(414,020)
Infrastructure	<u>(1,916,105)</u>	<u>(177,893)</u>		<u>(2,093,998)</u>
Total Accumulated Depreciation	<u>(3,307,096)</u>	<u>(340,634)</u>	<u>0</u>	<u>(3,647,730)</u>
Depreciable Capital Assets, Net	<u>8,341,825</u>	<u>(271,991)</u>	<u>0</u>	<u>8,069,834</u>
Business-Type Activities Capital Assets, Net	<u>\$8,800,571</u>	<u>(\$111,762)</u>	<u>\$0</u>	<u>\$8,688,809</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$131,092
General Government - Judicial	49,305
Public Safety	375,151
Public Works	369,189
Health	12,280
Human Services	267,587
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$1,208,399</u>

**11. 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 2005, 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

Coverages provided by the insurance pool are as follows:

Liability	
(A) General, Auto, Law, and Nursing Home Liability Combined	
per occurrence	7,000,000
aggregate, where applicable	7,000,000
(B) Public Official Errors and Omissions Liability	
per occurrence	7,000,000
aggregate	7,000,000
Property	62,106,000
Flood and Earthquake – separate pool aggregates	35,000,000
Boiler and Machinery	30,000,000
Crime Insurance:	
Employee Dishonesty & Faithful Performance	250,000
Money and Securities	250,000

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There has been no material change in this coverage from the prior year.

**B. Health Care Benefits**

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 25). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is 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 2005, 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 24). 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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.

**12. 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 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by 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, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 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; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 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, 2005, 2004, and 2003 were \$1,309,914, \$1,380,837, \$1,274,559, respectively; 87.05 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$22,525 made by the County and \$14,130 made by the plan members.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

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

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

For the fiscal year ended June 30, 2005, 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 2004. 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, 2005, 2004, and 2003 were \$84,899, \$86,190, and \$117,363 respectively; 96.93 percent has been contributed for fiscal year 2005 and 100 percent for 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,617 made by the plan members and \$0 by the County.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. POSTEMPLOYMENT 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 Postemployment 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 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 1.00 percent to 6 percent annually for the next 8 years. In the 9<sup>th</sup> year and beyond, health 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 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$534,890. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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 health care expenses.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. 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, 2005, 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 \$6,531 for 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

**14. 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2005, 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.

\$13,808 of the General Fund interfund receivable is not expected to be paid within one year, \$25,200 of the MRDD Fund interfund receivable is not expected to be paid within one year and \$118,268 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.

<b>Interfund Payable</b>	<b>Governmental Activities</b>			<b>Nonmajor Governmental</b>	<b>Total</b>
	<b>General</b>	<b>Auto License and Gas</b>	<b>MRDD</b>		
General Fund	\$0	\$5,676	\$0	\$55,500	\$61,176
Public Assistance Fund	0	0	0	941	941
MRDD Fund	0	5,631	0	0	5,631
Bond Retirement	3,443	0	0	0	3,443
<b>Nonmajor</b>					
Governmental Funds	22,082	198	51,800	20,058	94,138
Sewer Fund	0	228	0	59,724	59,952
<b>Interfund Receivable</b>	<b>\$25,525</b>	<b>\$11,733</b>	<b>\$51,800</b>	<b>\$136,223</b>	<b>\$225,281</b>

The additional amount of interfund payables and interfund receivables is due to enterprise funds. The General Fund had an interfund payable to the Sewer Fund of \$360. Non-major governmental funds had an interfund payable to the Fair Haven Fund of \$11,789. The Fair Haven Fund had an interfund payable to the Recycling Fund of \$38.

The General Fund had transfers out equal to \$316,751. Out of total transfers out, \$147,835 was to the Public Assistance Special Revenue Fund; \$111,000 was to the Sewer Enterprise Fund and \$57,916 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 \$37,738 to the Other Human Services Special Revenue Fund to subsidize a grant program of the MRDD. The Permanent Improvement Capital Projects Fund transferred \$90,000 to the Sewer Enterprise Fund for Sewer improvements.

Among non-major funds, the Ditch Maintenance Special Revenue Fund transferred \$13,470 to the General Fund and the Ditch Construction Capital Projects Fund transferred \$13,533 to the General Fund for leftover project monies. The FEMA Grant Special Revenue Fund transferred \$9,891 to the Sewer Fund and \$125,957 to the Auto License and Gasoline Tax Fund for grant monies received to help defer some of the cost of the ice storm damage.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**16. LEASES**

**A. Operating Leases**

The County leases copiers and equipment for the Juvenile Court, Clerk of Courts, Probate Court, Board of Elections and Fair Haven under noncancelable-operating leases. Total costs were \$8,252 for the year ended December 31, 2005. The future minimum lease payments for these leases are as follows:

<b>Year Ending December 31,</b>	
2006	\$4,404
2007	<u>2,357</u>
Total	<u><u>\$6,761</u></u>

**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 2005 totaled \$19,218 in the governmental funds and \$2,973 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 \$82,308, 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, 2005, was \$39,209 and the carrying value was \$43,099. For business-type activities, capital assets have been capitalized in the amount of \$16,390. Accumulated depreciation on these assets at December 31, 2005, was \$10,107 and the carrying value was \$6,283.

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, 2005.

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities Amounts</b>	<b>Business-Type Activities Amounts</b>
2006	\$11,747	\$6,608
2007	6,285	6,608
2008	6,283	
2009	3,534	
Total	<u>27,849</u>	<u>13,216</u>
Less: Amount Representing Interest	<u>(2,290)</u>	<u>(3,546)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$25,559</u></u>	<u><u>\$9,670</u></u>



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. LONG-TERM DEBT OBLIGATIONS**

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

	<u>Balance at 12/31/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/05</u>	<u>Due Within One Year</u>
<b>Notes Payable:</b>					
2003 Elliot Ditch Special Assessment Bond Anticipation Note – 3.25%	\$11,280	\$0	\$2,820	\$8,460	\$2,820
2005 Platvoit Ditch Improvement Special Assessment Note – 3.55%		115,927		115,927	23,185
Total Notes Payable	<u>11,280</u>	<u>115,927</u>	<u>2,820</u>	<u>124,387</u>	<u>26,005</u>
<b>OWDA Loan Payable:</b>					
1992 Meadowlane – 7.62%	<u>36,065</u>		<u>4,089</u>	<u>31,976</u>	<u>2,200</u>
<b>General Obligation Bonds Payable:</b>					
2004 MRDD Series A Refunding Bonds – 4.75%	689,000		139,000	550,000	58,000
2004 MRDD Series B Refunding Bonds - 4.75%	<u>1,194,000</u>		<u>242,000</u>	<u>952,000</u>	<u>101,000</u>
Total Bonds Payable	<u>1,883,000</u>		<u>381,000</u>	<u>1,502,000</u>	<u>159,000</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	1,393,391	839,908	807,235	1,426,064	47,981
Obligations Under Capital Lease	<u>44,777</u>		<u>19,218</u>	<u>25,559</u>	<u>10,584</u>
Total Other Long-Term Obligations	<u>1,438,168</u>	<u>839,908</u>	<u>826,453</u>	<u>1,451,623</u>	<u>58,565</u>
Total General Long-Term Obligations	<u>\$3,368,513</u>	<u>\$955,835</u>	<u>\$1,214,362</u>	<u>\$3,109,986</u>	<u>245,770</u>

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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. LONG-TERM DEBT OBLIGATIONS (Continued)**

Compensated absences will be paid from the General Fund, the Public Assistance Fund, the Auto License and Gasoline Tax 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 2005 were as follows:

	<u>Balance at 12/31/04</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/05</u>	<u>Due Within One Year</u>
<b>Loans Payable:</b>					
1998 OPWC Loan – 0.00%	\$50,625	\$0	\$3,750	\$46,875	\$1,875
1991 OWDA Loan – 7.59%	1,691,703		233,010	1,458,693	125,348
2005 OWDA Loan – 5.00%	0	126,395		126,395	0
2005 OWDA Loan - 3.98%	0	20,110		20,110	0
Total Loans	<u>1,742,328</u>	<u>146,505</u>	<u>236,760</u>	<u>1,652,073</u>	<u>127,223</u>
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	279,891	197,919	195,557	282,253	14,908
Obligations Under Capital Lease	<u>12,643</u>	<u>0</u>	<u>2,973</u>	<u>9,670</u>	<u>4,078</u>
Total Other Long-Term Obligations	<u>292,534</u>	<u>197,919</u>	<u>198,530</u>	<u>291,923</u>	<u>18,986</u>
Total General Long-Term Obligations	<u>\$2,034,862</u>	<u>\$344,424</u>	<u>\$435,290</u>	<u>\$1,943,996</u>	<u>\$146,209</u>

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 five year loan in the amount of \$265,000 for the design for the McCartyville Sewer Collection System and the Lake Loramie Flow Equalization Project. The third OWDA loan is a twenty year loan in the amount of \$1,620,000 for the construction of the McCartyville Sewer Collection System and the Lake Loramie Flow Equalization Project. These loans are drawn down as the work is done and the contractors are paid. As of December 31, 2005, the County has drawn down \$126,395 of the \$265,000 for the design phase and \$20,110 of the \$1,620,000 for the construction phase. These loans will be repaid from the Sewer Enterprise Fund's operating revenues.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2005, are an overall debt margin of \$23,122,684 and an unvoted debt margin of \$9,383,065.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. LONG-TERM DEBT OBLIGATIONS (Continued)**

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

<b>Governmental Activities</b>								
<b>Year</b>	<b>Elliot Ditch Special Assessment Note</b>		<b>Platvoit Ditch Special Assessment Note</b>		<b>General Obligation OWDA Loan</b>		<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$2,820	\$275	\$23,186	\$4,094	\$2,200	\$1,262	\$159,000	\$71,345
2007	2,820	367	23,186	3,272	4,568	2,084	166,000	63,793
2008	2,820	458	23,185	2,448	4,916	1,764	174,000	55,907
2009			23,185	1,624	5,290	1,420	183,000	47,642
2010			23,185	802	5,693	1,050	191,000	38,950
2011-2014					9,309	873	629,000	66,657
<b>Totals</b>	<b>\$8,460</b>	<b>\$1,100</b>	<b>\$115,927</b>	<b>\$12,240</b>	<b>\$31,976</b>	<b>\$8,453</b>	<b>\$1,502,000</b>	<b>\$344,294</b>

<b>Business-Type Activities</b>						
<b>Year</b>	<b>OWDA Loan #1</b>		<b>*OWDA Loan #2</b>		<b>*OWDA Loan #3</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$125,348	\$55,357	\$0	\$0	\$0	\$0
2007	260,210	101,200	22,846	6,038	20,110	416
2008	279,961	81,450	24,002	4,881		
2009	301,210	60,201	25,217	3,666		
2010	324,072	37,341	26,495	2,389		
2011-2015	167,892	12,814	27,835	1,048		
<b>Totals</b>	<b>\$1,458,693</b>	<b>\$348,363</b>	<b>\$126,395</b>	<b>\$18,022</b>	<b>\$20,110</b>	<b>\$416</b>

<b>OPWC Loan</b>		
<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2006	\$1,875	\$0
2007	3,750	0
2008	3,750	0
2009	3,750	0
2010	3,750	0
2011-2015	18,750	0
2016-2020	11,250	0
<b>Totals</b>	<b>\$46,875</b>	<b>\$0</b>

\*The OWDA Loan #2 and Loan #3 were not completely drawn down as of December 31, 2005. The principal and interest requirements presented are estimated based on the amount drawn down as of December 31, 2005. These amounts will change after the loans are entirely drawn down.

**A. Conduit Debt**

The County issued a health care facilities revenue bond in 1996 with the principal amount of \$1,175,000 outstanding at December 31, 2005, 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 \$37,855,000 outstanding at December 31, 2005

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**17. LONG-TERM DEBT OBLIGATIONS (Continued)**

During 2001, health care facilities revenue bonds were issued with the principal amount of \$15,690,000 outstanding at December 31, 2005. During 2002, health care facilities revenue bonds were issued with the principal amount of \$46,390,000 outstanding at December 31, 2005. 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 \$8,110,000, \$2,863,332, and \$1,506,710 outstanding, respectively, at December 31, 2005. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment.

**18. SHORT TERM OBLIGATIONS**

On October 9, 2003, the County received a \$200,000 loan from S and H Products for the renovation of the S and H Products Plant as a permanent location for the Services and Supports Department. The interest rate on the loan is 4 percent. The balance on the loan at December 31, 2004 was \$125,000. This balance was entirely paid off during 2005 from the MRDD fund.

On December 1, 2004, the County issued a property tax anticipation note in the amount of \$500,000 for the purpose of providing adequate operating funds for the MRDD Fund. The balance on the note at December 31, 2004 was \$500,000. During 2005, the note was repaid from the Bond Retirement fund with property tax revenue.

On August 1, 2005, the County issued a bond anticipation note in the amount of \$750,000 for the purpose of acquiring property. The note carries an interest rate of 3 percent and matures on August 1, 2006. The proceeds of the note were credited to the Permanent Improvement Fund and the note will be repaid from the Bond Retirement Fund using permissive sales tax revenue.

**19. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2005, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/05</u>
Eagle Bridge Company	Doorley Road Bridge	\$1,268,370	\$823,680	\$444,690
Choice One Engineering	Various Road Projects	170,525	138,700	31,825
Reichert Excavating	Platvoit Ditch	105,500	87,727	17,773
Choice One Engineering	McCartyville Sewer Design	106,000	65,070	40,930
URS Corporation	Flow Equalization Design	135,250	90,545	44,705
<b>Totals</b>		<b>\$1,785,645</b>	<b>\$1,205,722</b>	<b>\$579,923</b>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. 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 25.

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, 2004, to June 30, 2005.

**B. Classification of Net Assets**

Unrestricted net assets are comprised of the amount upon which donors have placed no restriction on expenditure of these assets themselves or their investment income.

Temporarily restricted net assets and investment income generated by these assets comprise those amounts the expenditure of which has been restricted by donors for use during a specific time period or for a particular purpose. When such a restriction expires; that is, when a stipulated time restriction ends or a program restriction is accomplished, temporarily restricted capital assets are released to unrestricted net assets and are reported in the statement of activities and changes in net assets.

Permanently restricted net assets comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At December 31, 2005, all of the assets of the component unit are unrestricted, except for \$109,256 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."

The following information discloses the risks associated with S and H Product'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."*

1. **Deposits** - At December 31, 2005, the carrying amount of deposits for S and H Products was \$248,081 and the bank balance was \$251,891.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

2. **Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2005, \$8 of the government's bank balance of \$251,891 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.
  
3. **Investments -** During 2005, S and H Products invested in mutual funds. At year-end, the fair value of the mutual fund investments was \$164,070. Except for nonparticipating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, fair value should be determined by the fund's current share price.

A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications per GASB Statement No. 3 is as follows:

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$104,847	\$307,554
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	143,484	(143,484)
GASB Statement No. 3	\$248,081	\$164,070

**D. Capital Assets**

A summary of S and H Products capital assets at December 31, 2005, follows:

Leasehold Improvements	\$15,277
Shop and Office Equipment	169,279
Transportation Equipment	131,908
Total Capital Assets Being Depreciated	316,464
Less Accumulated Depreciation	(207,208)
Total Capital Assets, Net	\$109,256

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 \$28,546.

**E. Segment Information**

Net working capital for S and H Products was \$417,314. During 2005, S and H Products acquired capital assets in the amount of \$50,700 and disposed of capital assets in the amount of \$25,098. Other segment information can be obtained in the financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. DISCRETELY PRESENTED COMPONENT UNIT (Continued)**

**F. Related Party Transactions**

S&H Products received \$5,600 from Shelby County for goods and services provided during fiscal year 2005. Shelby County provided facilities, equipment, transportation and salaries for administration, implementation, and supervision programs to S&H Products during fiscal year 2005 with an estimated value of \$193,583. This amount and the corresponding expenditure are reflected in the financial statements.

**G. Related Party Loan**

In August of 2003, S&H Products advanced \$200,000 to the Shelby County Board of Mental Retardation and Developmental Disabilities Board (SCMRDD). This loan was to be repaid in quarterly installments of \$25,000 plus interest at a rate of 4.5 percent. The balance of the loan at June 30, 2005 was \$125,000, which was repaid along with interest by the SCMRDD in December 2005.

**21. 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 2005, the County contributed \$64,470 (55 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 Tom Cisco, 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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**21. JOINT VENTURES (Continued)**

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2005, the County contributed \$23,749 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.

**22. 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 2005, a tax levy provided \$644,336 (27 percent of total tax revenue) for the operations of the organization.

**B. West Central Partnership, Inc.**

The West Central Partnership, Inc. (the Partnership) is a jointly governed organization among Allen, Auglaize, Darke, Hancock, Hardin, Mercer, Miami, Logan, Paulding, Putnam, Shelby, Union and Van Wert counties. The Partnership was formed to administer local loan programs in these counties for the State of Ohio Department of Development using 166 funds and locally raised money. The Board of Trustees consists of nine members, including a County Commissioner from each of the member counties and the Director of Region 3, West Central SBDC Partnership. Shelby County's Board allocated payment to the Partnership for 2005 was \$255,629.

**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 2005, 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.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**23. RELATED ORGANIZATION**

**The Shelby Metropolitan Housing Authority**

The Shelby Metropolitan Housing Authority (SMHA) is a related organization of Shelby County. The SMHA is a legally separate body politic. The majority of the SMHA Board is appointed by Shelby County. The SMHA Board is composed of five representatives, who include: one member appointed by the Shelby County Common Pleas Court Judge; one member appointed by the Shelby County Commissioners; one member appointed by the Shelby County Probate Court Judge; and two members appointed by the Mayor of Sidney. The County is not able to impose its will on the SMHA and no financial benefit and/or burden relationship exists. The SMHA is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The general purpose of the SMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. During 2005, the County did not have any financial contributions to the operation of the SMHA.

**24. INSURANCE POOLS**

**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 2005, the County did not have any financial contributions to the operation of the CCAOSC.

**25. RISK SHARING POOLS**

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

The Mid West Pool Risk Management Agency, Inc., (the Pool) is an Ohio nonprofit corporation established by five counties for the purpose of establishing a risk-sharing insurance program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by the Pool. Coverage includes comprehensive general liability, automobile liability, certain property insurance, and public officials' error and omissions liability insurance. Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Pool are managed by an elected board of not more than five trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of the Pool is limited to its voting authority and any representation it may have on the board of trustees.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**25. RISK SHARING POOLS (Continued)**

**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.

**26. RELATED PARTY TRANSACTIONS**

S and H Products, a discretely presented component unit of Shelby County, has entered into a contractual agreement with the Shelby County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Shelby County. The MRDD provides the workshop with personnel 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 2005, the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs were \$193,583. In other transactions with Shelby County, S and H Products received \$5,600 from the County for goods and services. The County received a short-term loan from S and H Products in 2003 in the amount of \$200,000. The remaining \$125,000 balance of the loan was repaid during 2005 (See Note 18).

**27. CONTINGENCIES**

**A. Litigation**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**B. Grants**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grant	B-C-03-070-1	14.228	\$188,363
	B-F-04-070-1		<u>102,000</u>
Total Community Development Block Grant			290,363
Home Investment Partnership Program	B-C-03-070-2	14.239	<u>149,524</u>
Total U.S. Department of Housing and Urban Development			<u><b>439,887</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>(Passed Through Ohio Department of Criminal Justice):</i>			
Courthouse Security	2004-LE-LEV-3495	16.592	24,450
Victims of Crime Act	N/A	16.575	24,129
Cops in School	2002SHWX0547	16.710	<u>19,457</u>
Total U.S. Department of Justice			<u><b>68,036</b></u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
<i>(Passed Through Area 7 Workforce Investment Board):</i>			
Reed Act	N/A	17.225	67,813
Workforce Investment Act Cluster			
Workforce Investment Act-Adult	N/A	17.258	68,159
Workforce Investment Act-Adult Administrative			<u>5,235</u>
Workforce Investment Act-Adult Total			73,394
Workforce Investment Act-Youth	N/A	17.259	64,922
Workforce Investment Act-Youth Administrative			<u>5,204</u>
Workforce Investment Act-Youth Total			70,126
Workforce Investment Act-Dislocated	N/A	17.260	90,709
Workforce Investment Act-Dislocated Administrative			<u>6,496</u>
Workforce Investment Act-Dislocated Total			<u>97,205</u>
Total Workforce Investment Act Cluster			<u>240,725</u>
Total U.S. Department of Labor			<u><b>308,538</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>(Passed through the Ohio Department of Public Safety)</i>			
Sign Inventory and Sign Compliance	FHWA 5165	20.205	<u><b>48,300</b></u>

**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Cluster:			
Title VI-B - Special Education Grants to States	071159-6B-SF-06P	84.027	57,344
	071159-6B-SF-05P		<u>32,604</u>
Total Special Education Grants to States			89,948
Special Education Preschool Grants - Handicap Preschool	071159-PG-SI-06P	84.173	22,406
	071159-PG-SI-05P		<u>49,211</u>
Total Special Education Preschool Grants			<u>71,617</u>
Total Special Education Cluster			161,565
Child Progress Indicator Grant	071159-PG-D72003P	84.173A	<u>139</u>
PS/SE Indicators of Success	071159-PG-SC-00-P	84.173A	<u>118</u>
Title V - Innovative Educational Program Strategies	071159-C2-S1-2005	84.298	<u>187</u>
Total U.S. Department of Education			<u><b>162,009</b></u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>(Passed Through Area Agency on Aging):</i>			
Food Distribution	N/A	93.053	<u><b>16,091</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Family Preservation and Support Services Grant	N/A	93.556	13,284
Title IV-B - Child Welfare Services State Grants	N/A	93.645	54,479
<i>(Passed Through Area Agency on Aging):</i>			
Title III-B - Special Programs for the Aging	N/A	93.044	40,737
Title III-C - Special Programs for the Aging	N/A	93.045	74,635
<i>(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):</i>			
Title XX - Social Services Block Grant	MR-75-FY06	93.667	20,776
	MR-75-FY05		<u>21,066</u>
Total Title XX - Social Services Block Grant			41,842
State Children's Insurance Program CAFS	N/A	93.767	4,550
Targeted Case Management			<u>811</u>
Total State Children's Insurance Program			5,361

**SHELBY COUNTY  
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>			
<i>(Passed Through Ohio Department of Mental Retardation and Dev. Disabilities):</i>			
Medicaid (Medical Assistance Programs)			
CAFS	7500010-CY00	93.778	49,251
	7500010-CY01		104,287
	7500010-CY02		113,650
	7500010-CY03		254,059
	7500010-CY04		246,048
	7500010-CY05		194,607
Total CAFS			<u>961,902</u>
Targeted Case Management	7500010-CY00	93.778	8,541
	7500010-CY01		18,735
	7500010-CY02		137,723
	7500010-CY03		227,714
	7500010-CY04		66,379
	7500010-CY05		65,115
Total Targeted Case Management			<u>524,207</u>
Waiver Administration	7500010-CY04	93.778	<u>26,508</u>
Total Medical Assistance Program			1,512,617
Total U.S. Department of Health and Human Services			<u><b>1,742,955</b></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>(Passed through the Ohio Department of Public Safety)</i>			
Federal Emergency Management Agency	FEMA-1580-DR	97.036	75,724
	FEMA-3198-EM		32,836
	FEMA-149UH968		8,525
Total Federal Emergency Management Agency			<u><b>117,085</b></u>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
<b>(On Behalf of the Election Assistance Commission)</b>			
<i>(Passed through the Ohio Secretary of State)</i>			
Help America Vote Act of 2002	PL 107-252	90.401	<u><b>392,355</b></u>
<b>Total Federal Financial Assistance</b>			<u><u><b>\$3,295,256</b></u></u>

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 subrecipients when paid in cash.

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

**NOTE C—FOOD DISTRIBUTION**

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

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

The County has established a revolving loan program to provide low-interest loans to 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, 2005, the gross amount of loans outstanding under this program was \$998,110.

**NOTE E -- 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 F – COMMINGLING**

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

**NOTE G – VOTING EQUIPMENT GRANT**

The federal monies for the voting equipment grant that the County received did not pass through the County as the vendor was paid directly by the pass-through agency (the Ohio Secretary of State). Title passed to the County upon initial delivery of the equipment. Since the initial delivery date of the voting equipment was prior to December 31, 2005, the entire amount of the federal share of the equipment was recorded on the schedule of federal awards expenditures for the year ended December 31, 2005.



**Auditor of State  
Betty Montgomery**

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

Shelby County  
129 East Court Street  
Sidney, Ohio 45365

To the Board of County Commissioners

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, (the County), as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 27, 2006. 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*. 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. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar, as it relates to the amounts included for the component unit, is based on the report of other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Financial Condition  
Shelby County  
Independent Accountants' Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Required by *Government Auditing Standards*  
Page 2

In a separate letter to the County's management dated September 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

September 27, 2006





## Auditor of State Betty Montgomery

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

Shelby County  
129 East Court Street  
Sidney, Ohio 45365

To the Board of County Commissioners

#### Compliance

We have audited the compliance of Shelby County, (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. 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.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005.

#### 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 in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

September 27, 2006

**FINANCIAL CONDITION  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	93,778 - Medicaid 90.401 - Help America Vote Act
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

## **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  
OCTOBER 19, 2006**