



Dave Yost • Auditor of State



**FINANCIAL CONDITION  
SHELBY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Shelby County  
129 East Court Street  
Sidney, Ohio 45365

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statements of S & H Products, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for S & H Products is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, Ohio, as of December 31, 2013, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Public Assistance, Auto License and Gas, and Developmental Disabilities funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 3, during the year ended December 31, 2013, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Additionally, as described in Note 3, fund balance was restated in the Developmental Disabilities Fund and for a fund reclassification.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the County's basic financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule of Federal Awards Expenditures is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 27, 2014

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**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
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, 2013.

**FINANCIAL HIGHLIGHTS**

- The County's total net position increased \$315,618 during 2013. Net position of governmental activities decreased \$781,492 (less than one percent). The decrease is due mostly to depreciation on capital assets (largely infrastructure) taken during 2013. Net position of business-type activities increased by \$1,097,110 (about 9 percent). The increase is due mostly to a donation received in the Fair Haven Fund for capital improvements at the Fair Haven County Home.
- The General Fund transfers out equaled \$1,699,974. Of these transfers, \$1,471,252 were transfers of sales tax receipts to the Auto and Gas and Capital Improvements Funds (\$735,626 each) and the remaining \$228,722, was to subsidize various programs of the non-major governmental funds.
- Business-type operations showed total operating revenue of \$7,817,967 and total operating expenses of \$8,499,234 for an operating loss of \$681,267. Total business-type unrestricted net position was \$1,617,504. This total includes \$1,622,420 for the Fair Haven Fund and negative \$4,916 for the Sewer Fund.
- Capital assets, net of accumulated depreciation, decreased \$2,921,713 for governmental activities. This was due to depreciation expense being higher than the additions to capital assets for the year.

**USING THIS ANNUAL FINANCIAL REPORT**

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

The Statement of Net Position 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 Position and the Statement of Activities*

The analysis of the County as a whole begins with the Statement of Net Position 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**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

These two statements report the County's net position and changes to that net position. 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 Position 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 and Sewer. 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 10. Fund financial statements provide detailed information about the County's major funds – not the County as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the County Auditor, with the approval of the County Commissioners, to help control, manage and report money received for a particular purpose or to show that the County is meeting legal responsibilities for use of grants. Shelby County's major funds are General, Public Assistance, Auto License and Gas, Developmental Disabilities, Fair Haven, and Sewer.

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

**THE COUNTY AS A WHOLE**

As stated previously, the Statement of Net Position looks at the County as a whole. Table 1 provides a summary of the County's net position for 2013 compared to 2012.

**Table 1  
Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets:</b>						
Current and Other Assets	\$36,362,219	\$34,140,368	\$4,852,914	\$3,927,633	\$41,215,133	\$38,068,001
Capital Assets	76,866,492	79,788,205	11,898,950	11,869,019	88,765,442	91,657,224
Total Assets	<u>113,228,711</u>	<u>113,928,573</u>	<u>16,751,864</u>	<u>15,796,652</u>	<u>129,980,575</u>	<u>129,725,225</u>
<b>Liabilities:</b>						
<b>Long-Term Liabilities:</b>						
Due within One Year	183,942	237,232	74,474	93,493	258,416	330,725
Due in More Than One Year	1,734,652	1,654,933	2,931,181	3,043,938	4,665,833	4,698,871
Other Liabilities	1,734,778	1,709,464	670,030	680,144	2,404,808	2,389,608
Total Liabilities	<u>3,653,372</u>	<u>3,601,629</u>	<u>3,675,685</u>	<u>3,817,575</u>	<u>7,329,057</u>	<u>7,419,204</u>
<b>Deferred Inflows of Resources:</b>						
Property Taxes Not Levied to Finance Current Year	<u>6,140,364</u>	<u>6,110,476</u>			<u>6,140,364</u>	<u>6,110,476</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	76,830,217	79,736,651	10,152,035	10,062,704	86,982,252	89,799,355
<b>Restricted for:</b>						
Other Purposes	20,727,315	20,019,959			20,727,315	20,019,959
Capital Outlay	2,760,637	2,446,735	1,306,640		4,067,277	2,446,735
Unrestricted	3,116,806	2,013,123	1,617,504	1,916,373	4,734,310	3,929,496
Total Net Position	<u>\$103,434,975</u>	<u>\$104,216,468</u>	<u>\$13,076,179</u>	<u>\$11,979,077</u>	<u>\$116,511,154</u>	<u>\$116,195,545</u>

The increase in the current assets of the governmental activities was mostly due to an increase in cash balances of \$1,736,268. A large portion of this was due to the increase in cash balances of the BODD Fund. This is also the reason for the increase in Net Position Restricted for Other Purposes. The cash balances of the General Fund and the Other Governmental Funds, as well as Net Position Unrestricted and Net Position Restricted for Capital Outlay show an increase mostly due to increased sales tax receipts.

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

The increase in the assets of the enterprise activities was due mostly to a donation made to Fair Haven during 2013. This money is to be used for capital improvements at Fair Haven to accommodate husbands and wives living together.

Total net position increased \$315,618. Net position of the County's governmental activities decreased by \$781,492, with unrestricted net position increasing \$1,103,683. The net position of the County's business-type activities increased by \$1,097,110.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
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(Continued)**

Table 2 shows the changes in net position for the year ended December 31, 2013, as compared with the year ended December 31, 2012.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$7,126,428	\$7,106,398	\$7,698,060	\$8,208,046	\$14,824,488	\$15,314,444
Operating Grants, Contributions and Interest	13,048,278	11,926,959			13,048,278	11,926,959
Capital Grants and Contributions			1,763,630	1,090,897	1,763,630	1,090,897
Total Program Revenues	<u>20,174,706</u>	<u>19,033,357</u>	<u>9,461,690</u>	<u>9,298,943</u>	<u>29,636,396</u>	<u>28,332,300</u>
<b>General Revenues:</b>						
Property and Other Taxes	6,162,001	6,320,432			6,162,001	6,320,432
Permissive Sales Tax	8,855,695	8,269,634			8,855,695	8,269,634
Grants and Entitlements	3,416,066	3,458,804			3,416,066	3,458,804
Interest	36,631	171,668	1,858	32	38,489	171,700
Other	177,136	58,273	74,892	47,424	252,028	105,697
Total General Revenues	<u>18,647,529</u>	<u>18,278,811</u>	<u>76,750</u>	<u>47,456</u>	<u>18,724,279</u>	<u>18,326,267</u>
Total Revenues	<u>38,822,235</u>	<u>37,312,168</u>	<u>9,538,440</u>	<u>9,346,399</u>	<u>48,360,675</u>	<u>46,658,567</u>
<b>Program Expenses:</b>						
<b>General Government:</b>						
Legislative and Executive	4,782,654	4,892,127			4,782,654	4,892,127
Judicial	2,412,783	2,593,436			2,412,783	2,593,436
Public Safety	5,069,037	4,850,300			5,069,037	4,850,300
Public Works	11,586,619	10,947,920			11,586,619	10,947,920
Health	308,017	277,070			308,017	277,070
Human Services	14,615,009	14,309,680			14,615,009	14,309,680
Economic Development and Assistance	509,268	292,341			509,268	292,341
Intergovernmental	210,883	215,472			210,883	215,472
Interest and Fiscal Charges	4,457	15,902			4,457	15,902
Fair Haven			7,419,792	7,652,554	7,419,792	7,652,554
Sewer			1,126,538	1,043,688	1,126,538	1,043,688
Total Expenses	<u>39,498,727</u>	<u>38,394,248</u>	<u>8,546,330</u>	<u>8,696,242</u>	<u>48,045,057</u>	<u>47,090,490</u>
Increase(Decrease) in Net Position Before Transfers	(676,492)	(1,082,080)	992,110	\$650,157	315,618	(431,923)
Transfers	(105,000)	(90,000)	105,000	90,000		
Increase (Decrease) in Net Position	<u>(\$781,492)</u>	<u>(\$1,172,080)</u>	<u>\$1,097,110</u>	<u>\$740,157</u>	<u>\$315,618</u>	<u>(\$431,923)</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

***Governmental Activities***

Grants and entitlements is the largest source of revenue for Shelby County, comprising approximately 42% of total revenues of governmental activities for 2013. Program specific grants and entitlements made up 34% of this and unrestricted grants and entitlements made up 8%. The major recipients of the restricted grants and entitlements were the Public Assistance, Auto License and Gas, and Developmental Disabilities Funds. Operating grants and contributions increased mostly due to the increase in the unit funding from the Ohio Department of Education to the Developmental Disabilities Fund.

Permissive sales tax is the next largest source of revenue for the County, making up 23% of total revenues. While sales tax rates remained the same, sales tax revenue increased 7% from 2012 to \$8,855,695, due to greater sales activity in the County during 2013.

The County's direct charges to users of governmental services made up around 18% of total governmental revenues for 2013. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, sheriff fees, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges.

Property and other taxes made up about 16% of total revenues for 2013.

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

Human services programs accounted for approximately 37% of total expenses for governmental activities. Public works expenditures, which include depreciation taken on the infrastructure assets of \$5,513,643 less additions to the infrastructure assets of \$2,198,824, make up approximately 29% of total expenses. Other major program expenses for governmental activities include public safety programs and general government legislative and executive, which accounted for 13%, and 12% of total expenses, respectively.

Administration and the County Commissioners have a quality of life commitment to the citizens and businesses located in the County. With this in mind, the County Commissioners committed over 3.9 million for capital assets. These assets included the purchase of safety and road maintenance equipment and vehicles, as well as bridge replacements and road resurfacing.

***Business-Type Activities***

The net position of business-type activities increased by \$1,097,110 during 2013. Charges for services were the largest revenue source, accounting for 81% of total business-type activities revenues. This revenue decreased due to lower census at the Fair Haven County Home. Capital grants and contributions accounted for 18% of revenues during 2013. The Fair Haven County Home received a donation to be used for capital improvements, and the Sewer Fund received USDA grant and Issue II grant monies for sewer projects. Miscellaneous revenues were less than one percent of total revenues during 2013.

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 2013 and 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

**Table 3**

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Current:</b>				
<b>General Government:</b>				
Legislative and Executive	\$4,782,654	\$1,678,595	\$4,892,127	\$1,944,447
Judicial	2,412,783	1,065,271	2,593,436	1,403,903
Public Safety	5,069,037	3,881,768	4,850,300	3,919,728
Public Works	11,586,619	6,365,870	10,947,920	5,565,727
Health	308,017	144,933	277,070	132,299
Human Services	14,615,009	5,932,378	14,309,680	6,145,367
Economic Development and Assistance	509,268	39,866	292,341	18,046
Intergovernmental	210,883	210,883	215,472	215,472
Interest and Fiscal Charges	4,457	4,457	15,902	15,902
<b>Total Expenses</b>	<b>\$39,498,727</b>	<b>\$19,324,021</b>	<b>\$38,394,248</b>	<b>\$19,360,891</b>

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

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

**THE COUNTY'S FUNDS**

Information about the County's major governmental funds begins on page 16. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$38,089,477 and expenditures of \$36,567,538.

The General Fund is the chief operating fund of the County. At the end of the current year, unassigned fund balance of the General Fund was \$2,068,609 while total fund balance was \$2,471,493, an increase of \$916,553 from the prior year, due to an increase in sales tax receipts. The Public Assistance Fund balance decreased \$54,141 due to normal operations of the fund. The Auto License and Gas Fund balance decreased \$770,319, due to a decrease in sales tax receipts. This decrease is the result of the County changing the sales tax allocation among funds beginning in 2013. The Developmental Disabilities fund balance increased \$705,059.

The enterprise funds reflect an operating loss for 2013. Fair Haven had an operating loss of \$473,017. The census at the home was lower, so the revenues and expenditures were lower during 2013. The Sewer Fund had an operating loss of \$208,250; however, the Sewer Fund received \$383,115 in capital grants for the Kettlersville and Arrowhead Hills sewer projects, which are reported as non-operating revenues.

**Major Funds Budgeting Highlights**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

During 2013, the General Fund had original appropriations of \$13,335,279 and final appropriations of \$13,420,801. Actual expenditures plus encumbrances for 2013 were \$12,950,942.

**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>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$2,419,034	\$2,419,034	\$407,208	\$407,208
Construction in Progress			244,934	1,974,470
Buildings	15,257,993	15,499,200	1,488,166	1,564,037
Equipment	1,058,558	412,015	22,078	23,182
Furniture and Fixtures	64,923	26,626		
Vehicles	1,962,804	1,992,414	70,712	56,534
Infrastructure	56,103,180	59,438,916	9,665,852	7,843,588
Totals	<u>\$76,866,492</u>	<u>\$79,788,205</u>	<u>\$11,898,950</u>	<u>\$11,869,019</u>

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

**Debt**

At December 31, 2013, Shelby County had \$160,022 in long-term governmental debt outstanding, and \$2,640,411 in long-term enterprise debt.

**Table 5  
Outstanding Debt at Year End**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
General Obligation Bonds	\$123,747	\$188,947		
Loans Payable			\$2,640,411	\$2,759,800
Capital Leases	36,275	51,554		
Totals	<u>\$160,022</u>	<u>\$240,501</u>	<u>\$2,640,411</u>	<u>\$2,759,800</u>

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

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

The County's overall legal debt margin was \$23,382,920 as of December 31, 2013. The more restrictive unvoted legal debt margin was \$9,878,920 as of the same date.

The loans payable in the Sewer Enterprise Fund will be paid from the fund's operating revenues and from special assessments received within that fund. In addition, the Village of Fort Loramie is making payments to contribute a portion of the funds for paying off the Fort Loramie Flow Equalization Project OWDA Loan.

See Note 15 of the notes to the basic financial statements for more detailed information on the County's outstanding debt obligations.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**MANAGEMENTS' DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
UNAUDITED  
(Continued)**

**CONTACTING THE COUNTY AUDITOR'S OFFICE**

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	S and H Products
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$20,206,038	\$1,380,228	\$21,586,266	
Cash and Cash Equivalents in Segregated Accounts	177,671	18,578	196,249	\$146,214
Investments in Segregated Accounts		1,306,640	1,306,640	523,552
Cash and Cash Equivalents with Fiscal Agent	923,663		923,663	
Accrued Interest Receivable	53,463	1,785	55,248	1,886
Permissive Sales Tax Receivable	1,443,911		1,443,911	
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	725,897	853,260	1,579,157	40,425
Inventory of Supplies and Materials	215,095	8,467	223,562	
Due from Other Governments	4,951,307	464,730	5,416,037	
Property and Other Taxes Receivable	6,261,116		6,261,116	
Prepaid Items	187,535	14,091	201,626	
Notes Receivable	891,282		891,282	
Special Assessments Receivable	325,241	59,460	384,701	
Loans Receivable		745,675	745,675	
Depreciable Capital Assets, Net	74,447,458	11,246,808	85,694,266	49,913
Capital Assets, Not Being Depreciated	2,419,034	652,142	3,071,176	
<b>Total Assets</b>	<b>113,228,711</b>	<b>16,751,864</b>	<b>129,980,575</b>	<b>761,990</b>
<b>Liabilities:</b>				
Accounts Payable	307,287	209,237	516,524	800
Contracts Payable	36,382	65,003	101,385	
Retainage Payable	16,433		16,433	
Accrued Wages Payable	774,116	247,994	1,022,110	8,875
Due to Other Governments	561,497	131,501	692,998	3,941
Unearned Revenue	4,529		4,529	
Accrued Interest Payable	1,907	16,295	18,202	
Matured Compensated Absences Payable	32,627		32,627	
<b>Long Term Liabilities:</b>				
Due Within One Year	183,942	74,474	258,416	
Due in More Than One Year	1,734,652	2,931,181	4,665,833	
<b>Total Liabilities</b>	<b>3,653,372</b>	<b>3,675,685</b>	<b>7,329,057</b>	<b>13,616</b>
<b>Deferred Inflow of Resources:</b>				
Property Taxes Not Levied to Finance Current Year Operations	6,140,364		6,140,364	
<b>Net Position:</b>				
Net Investment in Capital Assets	76,830,217	10,152,035	86,982,252	49,913
<b>Restricted for:</b>				
Other Purposes	20,727,315		20,727,315	
Capital Outlay	2,760,637	1,306,640	4,067,277	
Unrestricted	3,116,806	1,617,504	4,734,310	698,461
<b>Total Net Position</b>	<b>\$103,434,975</b>	<b>\$13,076,179</b>	<b>\$116,511,154</b>	<b>\$748,374</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>
<b>Governmental Activities:</b>			
<b>General Government:</b>			
Legislative and Executive	\$4,782,654	\$3,086,964	\$17,095
Judicial	2,412,783	914,875	432,637
Public Safety	5,069,037	858,911	328,358
Public Works	11,586,619	832,351	4,388,398
Health	308,017	146,922	16,162
Human Services	14,615,009	1,286,405	7,396,226
Economic Development and Assistance	509,268		469,402
Intergovernmental	210,883		
Interest and Fiscal Charges	4,457		
<b>Total Governmental Activities</b>	<u>39,498,727</u>	<u>7,126,428</u>	<u>13,048,278</u>
<b>Business-type activities:</b>			
Fair Haven	7,419,792	6,873,887	\$1,307,000
Sewer	1,126,538	824,173	456,630
<b>Total business-type activities</b>	<u>8,546,330</u>	<u>7,698,060</u>	<u>1,763,630</u>
<b>Total primary government</b>	<u>\$48,045,057</u>	<u>\$14,824,488</u>	<u>\$1,763,630</u>
<b>Component Unit:</b>			
S and H Products	<u>\$281,990</u>	<u>\$212,851</u>	<u>\$57,724</u>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes

Other Purposes

County Permissive Motor Vehicle License Taxes Levied for Public Works

**Permissive Sales Taxes Imposed for:**

General Purposes

Permanent Improvements

Public Works

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

**Total General Revenues and Transfers**

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

<b>Net (Expense) Revenue and Changes in Net Position</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>
(\$1,678,595)		(\$1,678,595)	
(1,065,271)		(1,065,271)	
(3,881,768)		(3,881,768)	
(6,365,870)		(6,365,870)	
(144,933)		(144,933)	
(5,932,378)		(5,932,378)	
(39,866)		(39,866)	
(210,883)		(210,883)	
(4,457)		(4,457)	
<u>(19,324,021)</u>		<u>(19,324,021)</u>	
	\$761,095	761,095	
	154,265	154,265	
	915,360	915,360	
<u>(19,324,021)</u>	<u>915,360</u>	<u>(18,408,661)</u>	
			(\$11,415)
1,915,825		1,915,825	
4,094,357		4,094,357	
151,819		151,819	
6,396,428		6,396,428	
982,854		982,854	
1,476,413		1,476,413	
3,416,066		3,416,066	
36,631	1,858	38,489	36,262
177,136	74,892	252,028	2,479
(105,000)	105,000		
<u>18,542,529</u>	<u>181,750</u>	<u>18,724,279</u>	<u>38,741</u>
(781,492)	1,097,110	315,618	27,326
<u>104,216,467</u>	<u>11,979,069</u>	<u>116,195,536</u>	<u>721,048</u>
<u>\$103,434,975</u>	<u>\$13,076,179</u>	<u>\$116,511,154</u>	<u>\$748,374</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,484,775	\$320,937	\$4,930,336
Cash and Cash Equivalents in Segregated Accounts	29,814		
Cash and Cash Equivalents with Fiscal Agents			
Receivables:			
Property and Other Taxes	1,984,880		11,975
Permissive Sales Tax	1,203,203		
Accounts (Net, where applicable, of Uncollectible Accounts)	463,220	1,438	16,123
Interfund	8,276	147,261	15,147
Special Assessments			
Accrued Interest	53,463		
Due from Other Governments	984,896	164,847	2,184,568
Prepaid Items	75,922	39,821	1,816
Inventory of Supplies and Materials	57,244	1,329	151,596
Notes Receivable			
Total Assets	<u>6,345,693</u>	<u>675,633</u>	<u>7,311,561</u>
<b>Liabilities:</b>			
Accounts Payable	\$113,305	\$19,901	\$93,659
Contracts Payable			
Retainage Payable			
Accrued Wages Payable	299,534	76,127	67,926
Due to Other Governments	266,359	66,938	39,865
Interfund Payable	51,179		
Unearned Revenue			
Matured Compensated Absences Payable			
Total Liabilities	<u>730,377</u>	<u>162,966</u>	<u>201,450</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes Not Levied to Finance Current Year Operations	1,951,912		
Unavailable Revenue	1,191,911	154,003	1,552,115
Total Deferred Inflows of Resources	<u>3,143,823</u>	<u>154,003</u>	<u>1,552,115</u>
<b>Fund Balances:</b>			
Nonspendable	181,004	41,150	153,412
Restricted		317,514	5,404,584
Committed			
Assigned	221,880		
Unassigned	2,068,609		
Total Fund Balances	<u>2,471,493</u>	<u>358,664</u>	<u>5,557,996</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$6,345,693</u>	<u>\$675,633</u>	<u>\$7,311,561</u>

See accompanying notes to the basic financial statements.

<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$8,187,332	\$5,282,658	\$20,206,038
125,199	22,658	177,671
923,663		923,663
4,264,261		6,261,116
	240,708	1,443,911
5,117	239,999	725,897
	99,512	270,196
	325,241	325,241
		53,463
1,269,289	347,707	4,951,307
15,839	54,137	187,535
4,926		215,095
	891,282	891,282
<u>14,795,626</u>	<u>7,503,902</u>	<u>36,632,415</u>
\$32,098	\$48,324	\$307,287
	36,382	36,382
	16,433	16,433
277,653	52,876	774,116
127,493	60,842	561,497
8,286	210,731	270,196
4,529		4,529
32,627		32,627
<u>482,686</u>	<u>425,588</u>	<u>2,003,067</u>
4,188,452		6,140,364
1,078,748	773,478	4,750,255
<u>5,267,200</u>	<u>773,478</u>	<u>10,890,619</u>
20,765	811,149	1,207,480
8,841,021	5,476,748	20,039,867
183,954	16,939	200,893
		221,880
		2,068,609
<u>9,045,740</u>	<u>6,304,836</u>	<u>23,738,729</u>
<u>\$14,795,626</u>	<u>\$7,503,902</u>	<u>\$36,632,415</u>

**FINANCIAL CONDITION  
SHELBY COUTNY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

Total Governmental Fund Balances		\$23,738,729
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets reported in governmental activities are not financial resources and therefore are not reported in the funds.		76,866,492
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and Other Taxes	\$161,139	
Intergovernmental	3,583,155	
Accounts Receivable	683,680	
Special Assessments	295,813	
Interest	26,468	
Total	4,750,255	4,750,255
Some liabilities, including notes payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest	(1,907)	
General Obligation Bonds	(123,747)	
Capital Leases	(36,275)	
Compensated Absences	(1,758,572)	
Total	(1,920,501)	(1,920,501)
Net Position of Governmental Activities		<b>\$103,434,975</b>

*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas</u>
<b>Revenues:</b>			
Property and Other Taxes	\$1,911,699		\$151,819
Permissive Sales Tax	6,396,428		982,854
Intergovernmental	1,739,561	\$2,522,566	4,229,196
Charges for Services	2,825,650	653,193	343,311
Licenses and Permits	1,375		
Fines and Forfeitures	194,549		
Special Assessments			
Interest	163,745		1,934
Decrease in Fair Value of Investments	(136,801)		
Contributions and Donations			
Other	293,460	206,717	84,445
Total Revenues	<u>13,389,666</u>	<u>3,382,476</u>	<u>5,793,559</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Legislative and Executive	3,974,618		
Judicial	1,995,331		
Public Safety	3,978,068		
Public Works	653,382		7,308,428
Health	98,196		
Human Services	559,907	3,434,202	
Economic Development and Assistance			
Intergovernmental	210,883		
Capital Outlay			
<b>Debt Service:</b>			
Principal Retirement	12,994	2,285	
Interest and Fiscal Charges	128	130	
Total Expenditures	<u>11,483,507</u>	<u>3,436,617</u>	<u>7,308,428</u>
Excess of Revenues Over (Under) Expenditures	<u>1,906,159</u>	<u>(54,141)</u>	<u>(1,514,869)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Capital Assets	7,041		8,924
Transfers - In	703,327		735,626
Transfers - Out	(1,699,974)		
Total Other Financing Sources (Uses)	<u>(989,606)</u>		<u>744,550</u>
Net Change in Fund Balances	916,553	(54,141)	(770,319)
Fund Balances Beginning of Year - Restated (Note 3)	<u>1,554,940</u>	<u>412,805</u>	<u>6,328,315</u>
Fund Balances End of Year	<u>\$2,471,493</u>	<u>\$358,664</u>	<u>\$5,557,996</u>

See accompanying notes to the basic financial statements.



<b>Developmental Disabilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$4,087,092		\$6,150,610
	\$1,476,413	8,855,695
4,409,175	2,134,137	15,034,635
166,553	1,429,861	5,418,568
	127,179	128,554
	178,910	373,459
	312,911	312,911
3,098		168,777
		(136,801)
133,575		133,575
628,345	436,527	1,649,494
<u>9,427,838</u>	<u>6,095,938</u>	<u>38,089,477</u>
	459,856	4,434,474
	587,028	2,582,359
	663,054	4,641,122
	525,733	8,487,543
	186,089	284,285
8,722,779	1,571,169	14,288,057
	505,473	505,473
		210,883
	1,047,418	1,047,418
	65,200	80,479
	5,187	5,445
<u>8,722,779</u>	<u>5,616,207</u>	<u>36,567,538</u>
<u>705,059</u>	<u>479,731</u>	<u>1,521,939</u>
		15,965
	964,348	2,403,301
	(808,327)	(2,508,301)
	156,021	(89,035)
705,059	635,752	1,432,904
<u>8,340,681</u>	<u>5,669,084</u>	<u>22,305,825</u>
<u>\$9,045,740</u>	<u>\$6,304,836</u>	<u>\$23,738,729</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, 2013**

Net Change in Fund Balances - Total Governmental Funds		\$1,432,904
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital Outlay	\$3,926,816	
Depreciation	<u>(6,818,958)</u>	
Excess of Capital Outlay over Depreciation Expense		(2,892,142)
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. In the current year, these amounts consisted of:</p>		
Proceeds from Sale of Assets	(15,965)	
Trade-in Credit	(40,500)	
Gain on Sale of Assets	<u>26,894</u>	(29,571)
<p>Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:</p>		
General Obligation Bond Principal Payments	65,200	
Capital Lease Principal Payments	<u>15,279</u>	80,479
<p>Some revenues that will not be collected for several months after the County's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:</p>		
Property and Other Taxes	11,391	
Intergovernmental	502,649	
Charges for Services	77,935	
Fines and Forfeitures	46,660	
Licenses and Permits	(1,475)	
Other Revenue	82,644	
Special Assessments	3,267	
Interest	<u>9,687</u>	732,758
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:</p>		
Decrease in Accrued Interest	988	
Increase in Compensated Absences	<u>(106,908)</u>	(105,920)
Change in Net Position of Governmental Activities		<u><u>(\$781,492)</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$2,048,000	\$2,048,000	\$1,934,250	(\$113,750)
Permissive Sales Tax	5,866,500	5,866,500	5,889,172	22,672
Intergovernmental	1,645,680	1,695,480	1,701,286	5,806
Charges for Services	2,180,400	2,180,400	2,426,475	246,075
Licenses and Permits	1,000	1,000	1,350	350
Fines and Forfeitures	132,000	132,000	169,336	37,336
Interest	100,000	100,000	163,540	63,540
Other	116,600	141,144	227,177	86,033
<b>Total Revenues</b>	<u>12,090,180</u>	<u>12,164,524</u>	<u>12,512,586</u>	<u>348,062</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
Legislative and Executive	3,916,464	3,911,214	3,745,635	165,579
Judicial	2,034,672	2,061,414	1,969,240	92,174
Public Safety	3,919,087	3,933,718	3,921,191	12,527
Public Works	748,521	728,563	664,058	64,505
Health	99,170	99,196	98,196	1,000
Human Services	648,743	648,743	576,402	72,341
Intergovernmental	210,883	210,883	210,883	
<b>Total Expenditures</b>	<u>11,577,540</u>	<u>11,593,731</u>	<u>11,185,605</u>	<u>408,126</u>
<b>Excess of Revenues Over Expenditures</b>	<u>512,640</u>	<u>570,793</u>	<u>1,326,981</u>	<u>756,188</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	1,500	1,500	7,041	5,541
Advances In	5,000	5,000	1,200	(3,800)
Advances Out		(65,363)	(65,363)	
Transfers - In	800,000	800,000	703,327	(96,673)
Transfers - Out	(1,757,739)	(1,761,707)	(1,699,974)	61,733
<b>Total Other Financing Sources (Uses)</b>	<u>(951,239)</u>	<u>(1,020,570)</u>	<u>(1,053,769)</u>	<u>(33,199)</u>
<b>Net Change in Fund Balance</b>	(438,599)	(449,777)	273,212	722,989
<b>Fund Balance Beginning of Year</b>	361,216	361,216	361,216	
<b>Prior Year Encumbrances Appropriated</b>	<u>103,351</u>	<u>103,351</u>	<u>103,351</u>	
<b>Fund Balance End of Year</b>	<u>\$25,968</u>	<u>\$14,790</u>	<u>\$737,779</u>	<u>\$722,989</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
PUBLIC ASSISTANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$2,355,001	\$2,505,428	\$2,197,666	(\$307,762)
Charges for Services	640,838	640,838	696,996	56,158
Other	214,309	214,309	205,426	(8,883)
Total Revenues	<u>3,210,148</u>	<u>3,360,575</u>	<u>3,100,088</u>	<u>(260,487)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Human Services	<u>3,241,920</u>	<u>3,387,336</u>	<u>3,177,083</u>	<u>210,253</u>
Excess of Revenues Under Expenditures	(31,772)	(26,761)	(76,995)	(50,234)
Fund Balance at Beginning of Year	325,996	325,996	325,996	
Prior Year Encumbrances Appropriated	<u>31,772</u>	<u>31,772</u>	<u>31,772</u>	
Fund Balance at End of Year	<u><u>\$325,996</u></u>	<u><u>\$331,007</u></u>	<u><u>\$280,773</u></u>	<u><u>(\$50,234)</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
AUTO LICENSE AND GAS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and Other Taxes	\$135,000	\$135,000	\$150,641	\$15,641
Permissive Sales Tax	1,000,000	1,000,000	1,447,127	447,127
Intergovernmental	4,005,000	4,005,000	4,263,131	258,131
Charges for Services	255,000	255,000	329,442	74,442
Interest	2,200	2,200	1,979	(221)
Other	26,000	26,000	85,045	59,045
Total Revenues	<u>5,423,200</u>	<u>5,423,200</u>	<u>6,277,365</u>	<u>854,165</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Works	<u>10,995,910</u>	<u>10,995,627</u>	<u>7,011,739</u>	<u>3,983,888</u>
Excess of Revenues Under Expenditures	(5,572,710)	(5,572,427)	(734,374)	4,838,053
<b>Other Financing Sources:</b>				
Transfers In	750,000	750,000	735,626	(14,374)
Proceeds from Sale of Capital Assets			8,924	8,924
Total Other Financing Sources	<u>750,000</u>	<u>750,000</u>	<u>744,550</u>	<u>(5,450)</u>
Net Change in Fund Balance	(4,822,710)	(4,822,427)	10,176	4,832,603
Fund Balance at Beginning of Year	4,811,201	4,811,201	4,811,201	
Prior Year Encumbrances Appropriated	<u>11,509</u>	<u>11,509</u>	<u>11,509</u>	
Fund Balance at End of Year	<u>\$0</u>	<u>\$283</u>	<u>\$4,832,886</u>	<u>\$4,832,603</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
DEVELOPMENTAL DISABILITIES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$4,128,565	\$4,128,565	\$4,135,599	\$7,034
Intergovernmental	3,779,784	3,779,784	4,258,508	478,724
Charges for Services	165,898	165,898	54,830	(111,068)
Other	287,100	287,100	657,322	370,222
Total Revenues	<u>8,361,347</u>	<u>8,361,347</u>	<u>9,106,259</u>	<u>744,912</u>
<b>Expenditures</b>				
<b>Current:</b>				
Human Services	7,637,119	7,642,571	7,404,134	238,437
Excess of Revenues Over Expenditures	<u>724,228</u>	<u>718,776</u>	<u>1,702,125</u>	<u>983,349</u>
<b>Other Financing Uses:</b>				
Transfers - Out		(100,000)	(100,000)	
Total Other Financing Sources (Uses)		<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	724,228	618,776	1,602,125	983,349
Fund Balance at Beginning of Year	6,067,416	6,067,416	6,067,416	
Prior Year Encumbrances Appropriated	<u>25,268</u>	<u>25,268</u>	<u>25,268</u>	
Fund Balance at End of Year	<u>\$6,816,912</u>	<u>\$6,711,460</u>	<u>\$7,694,809</u>	<u>\$983,349</u>

*See accompanying notes to the basic financial statements.*

**SHELBY COUNTY**

**STATEMENT OF FUND NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2013**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,260,396	\$119,832	\$1,380,228
Cash and Cash Equivalents in Segregated Accounts	13,321	5,257	18,578
Investments in Segregated Accounts	1,306,640		1,306,640
Accounts Receivable	771,727	81,533	853,260
Accrued Interest Receivable	1,785		1,785
Inventory of Supplies and Materials	8,467		8,467
Due from Other Governments	402,650	62,080	464,730
Prepaid Items	13,989	102	14,091
Special Assessments Receivable		59,460	59,460
Loan Receivable		48,744	48,744
Total Current Assets	<u>3,778,975</u>	<u>377,008</u>	<u>4,155,983</u>
<b>Non-current Assets:</b>			
Loan Receivable - net of current portion		696,931	696,931
Non-Depreciable Capital Assets	17,031	635,111	652,142
Depreciable Capital Assets, Net	<u>1,342,335</u>	<u>9,904,473</u>	<u>11,246,808</u>
Total Non-current Assets	<u>1,359,366</u>	<u>11,236,515</u>	<u>12,595,881</u>
Total Assets	<u>5,138,341</u>	<u>11,613,523</u>	<u>16,751,864</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	175,412	33,825	209,237
Accrued Wages Payable	236,699	11,295	247,994
Contracts Payable		65,003	65,003
Due to Other Governments	121,223	10,278	131,501
Accrued Interest Payable		16,295	16,295
Compensated Absences Payable	7,474	295	7,769
OPWC Loans Payable		4,326	4,326
OWDA Loans Payable		56,379	56,379
USDA Loan Payable		6,000	6,000
Total Current Liabilities	<u>540,808</u>	<u>203,696</u>	<u>744,504</u>
<b>Long-Term Liabilities:</b>			
Compensated Absences Payable - net of current portion	309,107	48,368	357,475
OPWC Loans Payable - net of current portion		147,379	147,379
OWDA Loans Payable - net of current portion		1,912,327	1,912,327
USDA Loan Payable - net of current portion		514,000	514,000
Total Long-Term Liabilities	<u>309,107</u>	<u>2,622,074</u>	<u>2,931,181</u>
Total Liabilities	<u>849,915</u>	<u>2,825,770</u>	<u>3,675,685</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	1,359,366	8,792,669	10,152,035
Restricted for Capital Improvements Endowment	1,306,640		1,306,640
Unrestricted	<u>1,622,420</u>	<u>(4,916)</u>	<u>1,617,504</u>
Total Net Position	<u>\$4,288,426</u>	<u>\$8,787,753</u>	<u>\$13,076,179</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$6,873,887	\$869,188	\$7,743,075
Other	72,888	2,004	74,892
Total Operating Revenues	<u>6,946,775</u>	<u>871,192</u>	<u>7,817,967</u>
<b>Operating Expenses:</b>			
Personal Services	5,148,255	327,093	5,475,348
Contractual Services	919,871	390,331	1,310,202
Materials and Supplies	874,064	60,112	934,176
Depreciation	70,985	301,243	372,228
Other	406,617	663	407,280
Total Operating Expenses	<u>7,419,792</u>	<u>1,079,442</u>	<u>8,499,234</u>
Operating Loss	<u>(473,017)</u>	<u>(208,250)</u>	<u>(681,267)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest	1,858		1,858
Capital Grants and Contributions	1,307,000	383,115	1,690,115
Interest and Fiscal Charges		(47,096)	(47,096)
Total Non-Operating Revenues (Expenses)	<u>1,308,858</u>	<u>336,019</u>	<u>1,644,877</u>
Income Before Capital Contributions and Transfers	835,841	127,769	963,610
Capital Contributions		28,500	28,500
Transfers In		<u>105,000</u>	<u>105,000</u>
Change in Net Position	835,841	261,269	1,097,110
Net Position Beginning of Year	<u>3,452,585</u>	<u>8,526,484</u>	<u>11,979,069</u>
Net Position End of Year	<u>\$4,288,426</u>	<u>\$8,787,753</u>	<u>\$13,076,179</u>

*See accompanying notes to the basic financial statements.*



**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Fair Haven</u>	<u>Sewer</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers and Support	\$6,718,822	\$846,559	\$7,565,381
Cash Received from Other Operating Receipts	51,778	2,004	53,782
Cash Payments for Employee Services and Benefits	(5,177,211)	(324,297)	(5,501,508)
Cash Payments to Suppliers	(1,811,841)	(457,081)	(2,268,922)
Cash Payments for Other Operating Expenses	(395,848)	(663)	(396,511)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(614,300)</u>	<u>66,522</u>	<u>(547,778)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers - In		105,000	105,000
<i>Net Cash Provided by Noncapital Financing Activities</i>		<u>105,000</u>	<u>105,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets		(373,668)	(373,668)
Capital Grants	1,307,000	378,461	1,685,461
Repayments on Fort Loramie Loan		72,655	72,655
Loan Principal Payments		(119,389)	(119,389)
Loan Interest Payments		(68,035)	(68,035)
<i>Net Cash Provided By (Used for) Capital and Related Financing Activities</i>	<u>1,307,000</u>	<u>(109,976)</u>	<u>1,197,024</u>
<b>Cash Flows from Investing Activities:</b>			
Interest	73		73
<i>Net Increase in Cash and Cash Equivalents</i>	692,773	61,546	754,319
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,887,584</u>	<u>63,543</u>	<u>1,951,127</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>2,580,357</u></u>	<u><u>125,089</u></u>	<u><u>2,705,446</u></u>

(Continued)

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fair Haven	Sewer	Total
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>			
<b>Operating Loss</b>	(473,017)	(208,250)	(681,267)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</b>			
Depreciation	70,985	301,243	372,228
<b>Changes in Assets and Liabilities:</b>			
Increase in Accounts Receivable	(88,217)	(14,826)	(103,043)
Increase in Inventory of Supplies and Materials	(2,352)		(2,352)
Increase in Due from Other Governments	(87,958)		(87,958)
Increase (Decrease) in Prepaid Items	(9,682)	2,721	(6,961)
Decrease in Special Assessments Receivable		(7,803)	(7,803)
Increase (Decrease) in Accounts Payable	2,028	(8,506)	(6,478)
Increase in Contracts Payable		7,577	7,577
Decrease in Retainage Payable		(9,447)	(9,447)
Increase (Decrease) in Accrued Wages	(1,842)	1,920	78
Increase (Decrease) in Due to Other Governments	(10,710)	745	(9,965)
Increase (Decrease) in Compensated Absences Payable	(13,535)	1,148	(12,387)
Net Cash Provided by Operating Activities	(\$614,300)	\$66,522	(\$547,778)

**Non-Cash Transaction:**

During 2013, the governmental funds donated a vehicle to the Sewer Fund with a book value of \$28,500.

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2013**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$45,673	\$2,655,965
Cash and Cash Equivalents in Segregated Accounts		657,115
Investments in Segregated Accounts		96,995
<b>Receivables:</b>		
Property and Other Taxes		36,754,672
Accounts (Net, where applicable, of Uncollectible Accounts)	31	408,518
Special Assessments		247,953
Due from Other Governments		2,550,870
Revenue in Lieu of Taxes Receivable		131,681
Total Assets	45,704	\$43,503,769
<b>Liabilities:</b>		
Due to Other Governments		\$40,482,067
Undistributed Monies		3,006,481
Deposits Held and Due to Others		15,221
Total Liabilities		\$43,503,769
<b>Net Position</b>		
Held in Trust for Pool Participants	\$45,704	

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Donations	\$9,878
<b>Deductions:</b>	
Distributions to Participants	<u>19,054</u>
Change in Net Position	(9,176)
Net Position Beginning of Year	<u>54,880</u>
Net Position End of Year	<u><u>\$45,704</u></u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

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

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

**A. Reporting Entity**

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

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

**B. Blended Component Unit**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**C. Discretely Presented Component Unit**

The component unit column in the entity-wide financial statements identifies the financial data of the County's discretely presented component unit, S and H Products. It is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component unit is presented in Note 19.

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

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

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

The Insurance Pools, the Mid West Pool Risk Management Agency, Inc. (the Pool) and the Midwest Employee Benefit Consortium (MEBC) are risk-sharing pools. A risk-sharing pool is an organization formed by a group of governments to combine risks and resources and share in the cost of losses. They are presented in Note 23.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Shelby County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 position 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 position 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 position 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 enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

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

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

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

**2. Proprietary Funds**

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

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

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

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**3. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**D. Basis of Accounting**

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

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: permissive sales tax (See Note 7), federal and State subsidies, grants, locally levied shared taxes (including gasoline tax), charges for services, fines and forfeitures, and interest.

**F. Deferred Inflows of Resources**

Deferred inflows of resources are increases in net position that are applicable to future reporting periods.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but were levied to finance 2014 operations, have been recorded as deferred inflows of resources.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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. Deferred Outflows of Resources**

Deferred outflows of resources are decreases in net position that are applicable to future reporting periods. The County had no deferred outflow of resources at year-end.

**I. 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 as part of the pool are recorded on the balance sheet as "Investments in Segregated Accounts." Cash and cash equivalents that are held by the West Central Ohio Network (WestCON) on behalf of the Shelby County Board of Developmental Disabilities are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During 2013, the County invested in the Federal Farm Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association, the First American Treasury Obligation Fund and certificates of deposit.

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

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

Interest income is distributed to the funds according to statutory requirements. Interest revenue of \$163,745 was credited to the General Fund during 2013, which includes \$153,947 assigned from other County funds.

**J. Receivables and Payables**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**K. Inventory of Supplies and Materials**

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

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

Inventory consists of expendable supplies held for consumption.

**L. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

**M. 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 non-spendable fund balance which indicates that they do not constitute available expendable resources. Interfund balances are eliminated on the government-wide statement of net position except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

**N. Capital Assets**

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

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 roads, bridges, culverts and a fiber optic network. In the enterprise funds, infrastructure consists of sewer lines.

**O. Compensated Absences**

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, short-term loans, contractually required pension contributions, and compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans, 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, 2013  
(Continued)**

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

**Q. Capital Contributions**

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

**R. Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes include funds for the operation of a school; resident homes for the developmentally disabled; the medical, financial, and social support to general relief recipients; the support and placement of children; and County road and bridge repair/improvement programs.

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

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities of the enterprise funds. For the County, these revenues are charges for services for county home and sewer. 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.

**T. Fund Balance**

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

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

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

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

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**U. Interfund Transactions**

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

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

**V. Estimates**

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

**W. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2013.

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.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLE AND RECLASSIFICATION OF FUND**

For the year ended December 31, 2013, the County has implemented GASB Stmt No. 65, "Items Previously Reported as Assets and Liabilities." This statement reclassifies certain items that were previously reported as assets and liabilities as deferred inflows of resources and deferred outflows of resources, and recognizes certain items that were previously reported as assets and liabilities as inflows of resources and outflows of resources. As a result of implementing GASB Statement No. 65, the presentation of the financial statements has changed. The implementation had no effect on fund balance/net position as previously reported for the year ended December 31, 2012.

For the year ended December 31, 2013, the County has combined the Developmental Disabilities Capital Improvements Fund with the Developmental Disabilities Fund. The reclassification of this fund had the following effect on fund balance as previously reported at December 31, 2012:

	<b>Developmental Disabilities Fund</b>	<b>Other Governmental Funds</b>
Fund balance as previously reported December 31, 2012	\$8,208,192	\$5,801,573
Developmental Disabilities Capital Improvements Fund	132,489	(132,489)
Restated fund balances as of December 2012	\$8,340,681	\$5,669,084

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Receipt and payment of year-end intrafund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
6. The change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
7. Cash that is held by the agency funds on behalf of County funds on a budget basis are allocated and reported on the balance sheet (GAAP basis) in the appropriate County fund.



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

8. Non-budgeted activity represents receipts and disbursements of the Wilma Valentine Creative Learning Center (WVCLC) and the West Central Ohio Network (WestCON) that was on behalf of the Shelby County Board of Developmental Disabilities. This activity is included in the revenues and expenditures of the Developmental Disabilities Fund on a GAAP basis.
9. Perspective differences arise from the activity of some funds being included with the major funds on a GAAP basis because they are closely tied to the activity of those funds. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the fund.

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

	<b>Net Change in Fund Balance</b>			
	<b>General</b>	<b>Public Assistance</b>	<b>Auto License and Gas</b>	<b>Developmental Disabilities</b>
GAAP Basis	\$916,553	(\$54,141)	(\$770,319)	\$705,059
<b>Adjustments:</b>				
Revenue Accruals	(463,560)	33,304	483,761	411,797
Expenditure Accruals	(9,694)	(67,706)	396,095	1,572,016
Unrecorded Cash 2012	63,898	17,894	169	52,385
Unrecorded Cash 2013	(33,897)	(25)	(124)	(6,246)
Decrease in Fair Value of Investments	136,801			
Prepaid Items	(1,478)	10,921	(2,083)	(2,173)
Non-Budgeted Activity				(955,887)
Encumbrances	(118,983)	(27,362)	(97,323)	(41,851)
Agency Fund Cash Allocation – 2012	71,165			125,507
Agency Fund Cash Allocation – 2013	(65,634)			(112,140)
Advances	(64,163)			
Perspective Differences	(157,796)	10,120		(146,342)
Budget Basis	<u>\$273,212</u>	<u>(\$76,995)</u>	<u>\$10,176</u>	<u>\$1,602,125</u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

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

**A. Deposits**

At December 31, 2013, the carrying amount of the County's deposits was \$14,115,637 and the bank balance was \$14,476,458.

**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, 2013, \$8,141,912 of the government's bank balance of \$14,476,458 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, 2013, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>Carrying Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>
Federal Farm Credit Bank	\$497,090			\$497,090
Federal Home Loan Bank	486,830			486,830
Federal Home Loan Mortgage Corporation	4,656,120	\$502,905	\$3,053,545	1,099,670
Federal National Mortgage Association	6,040,497	715,309	1,535,120	3,790,068
First American Treasury Obligation	734,139	734,139		
Total	<u>\$12,414,676</u>	<u>\$1,952,353</u>	<u>\$4,588,665</u>	<u>\$5,873,658</u>

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

**Concentration of Credit Risk:** The County places no limit on the amount it may invest in any one issuer. 49% of the County's investments at December 31, 2013, were in the Federal National Mortgage Association, 38% were in the Federal Home Loan Mortgage Corporation, and 6% were in the First American Treasury Obligations Fund.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**Credit Risk:** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County's investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated AAA by Moody's Investors Service and AA+ by Standard & Poor's at December 31, 2013. The County's investment in the First American Treasury Obligation was rated AAAM by Standard and Poor's at December 31, 2013.

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	<b>Primary Government</b>	
	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$26,064,931	\$1,403,635
Cash on Hand	(14,590)	
Cash with Fiscal Agent	(923,663)	
<b>Investments:</b>		
Certificate of Deposit	1,397,638	(1,397,638)
Federal Farm Credit Bank	(497,090)	497,090
Federal Home Loan Bank	(486,830)	486,830
Federal Home Loan Mortgage Corporation (FHLMC)	(4,656,120)	4,656,120
Federal National Mortgage Association	(6,040,497)	6,040,497
First American Treasury Obligation Fund	(728,142)	728,142
GASB Statement No. 3	\$14,115,637	\$12,414,676

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2013, 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 2013 operations. The receivable is therefore offset by a deferred inflow of resources. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is a deferred inflow of resources.

The full tax rate for all County operations for the year ended December 31, 2013 was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$766,770,860	76.66
Other Real Property	195,032,790	19.50
Public Utility Personal Property	38,463,040	3.84
Total Assessed Value	<u>\$1,000,266,690</u>	<u>100.00%</u>

**7. PERMISSIVE SALES AND USE TAX**

The County has a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. The first 1 percent was imposed by the County Commissioners, by resolution, for general operations and permanent improvements. Beginning April 1, 2013, the additional .50 percent was allocated by resolution to road and bridge improvement projects (.25 percent) and to capital improvements (.25 percent). 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 then has five days in which to draw the warrant payable to the County.

Proceeds of the permissive sales and use tax were credited to the General Fund, the Auto License and Gas Fund and the Permanent Improvement Fund during 2013. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2013. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2013 amounted to \$6,396,428 in the General Fund, \$982,854 in the Auto License and Gas Fund and \$1,476,413 in the non-major funds, for a total of \$8,855,695.

**8. RECEIVABLES**

Receivables at December 31, 2013, consisted of property and other taxes, permissive sales tax, accounts (billings for user charged services), interfund, special assessments, accrued interest, intergovernmental receivables arising from grants, entitlements and shared revenues, notes, and loans. The special assessments receivable in the enterprise funds represent amounts that have been assessed to property owners on the tax duplicate for the sewer system. The County has \$145,873 delinquent special assessments at December 31, 2013.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**8. RECEIVABLES (Continued)**

All receivables are considered collectible in full, except the Juvenile Court and Clerk of Courts fines and court costs and some receivables of the Fair Haven County Home. A summary of accounts receivable for Juvenile Court, Clerk of Courts, and Fair Haven, 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>Fair Haven Managed Care</b>	<b>Other Receivables</b>	<b>Total Receivables</b>
Receivable	\$954,372	\$4,949,167	\$248,982	\$670,448	\$6,822,969
Allowance for Uncollectible	(821,003)	(4,005,714)	(8,577)		(4,835,294)
Net Accounts Receivable	<u>\$133,369</u>	<u>\$943,453</u>	<u>\$240,405</u>	<u>\$670,448</u>	<u>\$1,987,675</u>

A summary of intergovernmental receivables follows:

**Governmental Activities:**

Gasoline Tax	\$1,135,899
Motor Vehicle License Tax	1,031,192
Casino Tax	292,887
Local Government	303,836
Homestead and Rollback	379,455
Election Cost Reimbursement	51,518
Public Defender Reimbursement	31,400
ODE Unit Funding/subsidy payments	835,878
ODE Title XX	15,804
ODE Handicapped Preschool Grant	25,211
Developmental Disabilities Provider Support	55,320
Developmental Disabilities Daycare Grant	41,228
Miscellaneous Developmental Disabilities Reimbursements	21,972
VOCA and SVAA Grants	75,600
Judiciary Grants	107,655
Public Safety Grants	14,444
Prisoner Housing and Fines	119,504
Workers Compensation Refund	71,431
Community Housing Improvement Corporation Grants	
Public Assistance Underfunded	135,129
Children's Services Underfunded	87,946
Child Support Enforcement Agency Underfunded	54,320
Miscellaneous Public Assistance Reimbursements	22,397
Miscellaneous Reimbursements	41,281
Total Governmental Activities	<u>4,951,307</u>

**Enterprise Funds:**

Medicare Reimbursement	183,209
Medicaid Reimbursement	197,984
Area Agency on Aging Daycare/Transportation/Meals	347
Workers Compensation Refund	21,110
Issue II	62,080
Total Business-Type Activities	<u>464,730</u>
	<u>(Continued)</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**8. RECEIVABLES (Continued)**

<b>Agency Funds:</b>	
Local Government Assistance	632,990
Library Assistance	675,831
Gasoline Tax	579,843
Motor Vehicle License Tax	280,291
Homestead and Rollback	56,169
Electric Deregulation	1,024
WIC Administration	164,668
Public Health Emergency Preparedness Grant	45,870
Emergency Performance Grant	9,686
Help Me Grow Grant	81,097
Family Centered Services Support Grant	11,091
Immunization Action Plan	3,302
Ohio Children's Trust Fund	9,008
Total Agency Funds	<u>2,550,870</u>
Total All Funds	<u>\$7,966,907</u>

**Notes and Loans Receivable**

The County has several notes receivable with local homeowners. The terms and conditions of the notes specify that the monies are to be used for rehabilitation of residences and down payment assistance. Some of the notes require monthly payments at various interest rates for up to ten years, while other notes are deferred until the owner sells the home. At December 31, 2013, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$767,535, which includes \$653,965 that is expected to be collected in more than one year.

The County also has a note receivable with Clinton Township. During 2010, the County issued general obligation bonds on behalf of Clinton Township and the Township is making payments to the County to cover the debt service on the bonds. The outstanding repayment portion has been recorded as notes receivable in the Bond Retirement Debt Service Fund. At December 31, 2013, the total amount of notes receivable in the Bond Retirement Debt Service Fund is \$123,747, which includes \$58,547 that is expected to be collected in more than one year.

The County has an outstanding loan receivable from the Village of Fort Loramie for its share of the 2005 Sewer Flow Equalization Project. This project was financed with a loan from OWDA, with the agreement that the Village of Fort Loramie would be responsible for 65% of the total debt repayment. The Village makes monthly payments to cover its share of the annual debt service of the OWDA loan. A loan receivable has been recorded in the Sewer Fund for the outstanding repayment portion that is the Village's responsibility. At December 31, 2013, the total amount of loans receivable in the Sewer Fund was \$745,675, which includes \$696,931 that is expected to be collected in more than one year.

**9. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<u>Balance at 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2013</u>
Governmental Activities				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$2,419,034			\$2,419,034
<b>Depreciable Capital Assets:</b>				
Buildings	28,032,848	\$451,923		28,484,771
Equipment	2,080,803	769,357	(\$725,992)	2,124,168
Furniture and Fixtures	201,751	46,166		247,917
Vehicles	6,961,526	460,546	(283,183)	7,138,889
Infrastructure	163,170,554	2,198,824	(951,850)	164,417,528
Total Depreciable Capital Assets	<u>200,447,482</u>	<u>3,926,816</u>	<u>(1,961,025)</u>	<u>202,413,273</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(12,533,648)	(693,130)		(13,226,778)
Equipment	(1,668,788)	(122,814)	725,992	(1,065,610)
Furniture and Fixtures	(175,125)	(7,869)		(182,994)
Vehicles	(4,969,112)	(481,502)	274,529	(5,176,085)
Infrastructure	<u>(103,731,638)</u>	<u>(5,513,643)</u>	<u>930,933</u>	<u>(108,314,348)</u>
Total Accumulated Depreciation	<u>(123,078,311)</u>	<u>(6,818,958)</u>	<u>1,931,454</u>	<u>(127,965,815)</u>
Depreciable Capital Assets, Net	<u>77,369,171</u>	<u>(2,892,142)</u>	<u>(29,571)</u>	<u>74,447,458</u>
Governmental Activities Capital Assets, Net	<u>\$79,788,205</u>	<u>(\$2,892,142)</u>	<u>(\$29,571)</u>	<u>\$76,866,492</u>

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$116,601
General Government - Judicial	46,690
Public Safety	399,271
Public Works	5,910,848
Health	6,660
Human Services	335,093
Economic Development and Assistance	3,795
Total Depreciation Expense	<u>\$6,818,958</u>

	<u>Balance At 12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance At 12/31/2013</u>
Business-Type Activities				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$407,208			\$407,208
Construction in Progress	1,974,470	\$244,934	(\$1,974,470)	244,934
Total Capital Assets Not Being Depreciated	<u>2,381,678</u>	<u>244,934</u>	<u>(1,974,470)</u>	<u>652,142</u>
<b>Depreciable Capital Assets:</b>				
Buildings	3,014,629			3,014,629
Equipment	147,835			147,835
Furniture and Fixtures	18,000			18,000
Vehicles	230,748	51,196	(16,180)	265,764
Infrastructure	11,538,242	2,103,204		13,641,446
Total Depreciable Capital Assets	<u>14,949,454</u>	<u>2,154,400</u>	<u>(16,180)</u>	<u>17,087,674</u>
Total Capital Assets At Historical Cost	<u>17,331,132</u>	<u>2,399,334</u>	<u>(1,990,650)</u>	<u>17,739,816</u>

(Continued)



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<b>Balance At 12/31/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance At 12/31/2013</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(1,450,591)	(75,872)		(1,526,463)
Equipment	(124,653)	(1,104)		(125,757)
Furniture and Fixtures	(18,000)			(18,000)
Vehicles	(174,224)	(37,008)	16,180	(195,052)
Infrastructure	(3,694,654)	(280,940)		(3,975,594)
Total Accumulated Depreciation	<u>(5,462,122)</u>	<u>(394,924)</u>	<u>16,180</u>	<u>(5,840,866)</u>
Depreciable Capital Assets, Net	<u>9,487,332</u>	<u>1,759,476</u>		<u>11,246,808</u>
Business-Type Activities Capital Assets, Net	<u>\$11,869,010</u>	<u>\$2,004,410</u>	<u>(\$1,974,470)</u>	<u>\$11,898,950</u>

**10. RISK MANAGEMENT**

**A. Insurance**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2013, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

Coverage provided by the insurance pool is as follows:

**Liability:**

General Liability	\$2,000,000
Public Official Errors and Omissions Liability	2,000,000
Law Enforcement Liability	2,000,000
Employee Benefit Liability	2,000,000
Auto Liability	2,000,000
Ohio Stop Gap	2,000,000
Crime	
Employee Dishonesty	500,000
Depositors Forgery	500,000
Money and Securities	500,000
Excess Liability	5,000,000
Excess Healthcare Professional Liability	3,000,000
Excess Crime Liability	500,000
Pollution Liability	1,000,000
Property – replacement value	86,864,000
Flood– separate pool aggregates	50,000,000
Earthquake – separate pool aggregates	100,000,000
Boiler and Machinery	100,000,000

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

**B. Health Care Benefits**

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 23). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

**11. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs and deputy sheriffs) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2013, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 12.6 percent of their annual covered salary.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units and 18.10 percent covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2013 was 13.00 percent of covered payroll except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$2,365,354, \$1,767,832, and \$1,889,532, respectively; 92.7 percent has been contributed for 2013 and 100 percent for 2012 and 2011. Contributions to the member-directed plan for 2013 were \$84,299 made by the County and \$60,214 made by the plan members.

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

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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, 2013, 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 2012. 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, 2013, 2012 and 2011 were \$128,665, \$133,328 and \$118,424 respectively; 97.53 percent has been contributed for fiscal year 2013 and 100 percent for 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$8,746 made by the plan members and \$12,243 by the County.

**12. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <http://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits. Each year, the OPERS Retirement Board

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the employer contribution allocated to the health care plan for members in the traditional plan and the combined plan was 1.00 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2013, 2012, and 2011 was \$136,784, \$680,543, and \$704,155, respectively; 90.51 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

**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, 2013, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The County's required contributions for healthcare for the years ended June 30, 2013, 2012, and 2011, were \$9,897, \$10,256, and \$9,110; 94 percent has been contributed for 2013 and 100 percent has been contributed for 2012 and 2011.

**13. OTHER EMPLOYEE BENEFITS**

**A. Deferred Compensation Plans**

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

**B. Compensated Absences**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. OTHER EMPLOYEE BENEFITS (Continued)**

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

**14. CAPITAL LEASES**

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis. Principal payments on all capital leases in 2013 totaled \$15,279 in the governmental funds.

Capital assets acquired by lease have been capitalized in the statement of net position for governmental activities in the amount of \$73,483, 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, 2013, was \$27,945 and the carrying value was \$45,538.

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, 2013.

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities Amounts</b>
2014	\$10,812
2015	9,504
2016	9,504
2017	6,471
Total	36,291
Less: Amount Representing Interest	(16)
Present Value of Net Minimum Lease Payments	\$36,275

**15. LONG-TERM DEBT OBLIGATIONS**

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

	<b>Balance at 12/31/12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 12/31/13</b>	<b>Due Within One Year</b>
<b>General Obligation Bonds Payable:</b>					
2010 Millcreek Storm Sewer Bonds -3.27%	\$188,947		\$65,200	\$123,747	\$65,200
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	1,651,664	\$1,004,381	897,473	1,758,572	107,946
Obligations Under Capital Lease	51,554		15,279	36,275	10,796
Total Other Long-Term Obligations	1,703,218	1,004,381	912,752	1,794,847	118,742
Total Governmental Activities	\$1,892,165	\$1,004,381	\$977,952	\$1,918,594	\$183,942

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

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

Changes in the long-term obligations reported in the enterprise funds during 2013 were as follows:

	<b>Balance at 12/31/12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at 12/31/13</b>	<b>Due Within One Year</b>
<b>Loans Payable:</b>					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	\$1,208,873		\$67,068	\$1,141,805	\$34,480
2006 McCartyville Sewer OWDA Loan – 0.00%	482,638		32,176	450,462	16,088
2009 Millcreek Sewer OWDA Loan – 1.50%	387,931		11,492	376,439	5,811
1998 Arrowhead Hills Sewer OPWC Loan – 0.00%	20,625		3,750	16,875	1,875
2010 Millcreek Sewer OPWC Loan – 0.00%	139,733		4,903	134,830	2,451
2011 Ketersville Sewer USDA Loan – 3.50%	520,000			520,000	6,000
<b>Total Loans</b>	<b>2,759,800</b>		<b>119,389</b>	<b>2,640,411</b>	<b>66,705</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences Payable	377,631	\$179,007	191,394	365,244	7,769
Total Business Type Activities	<u>\$3,137,431</u>	<u>\$179,007</u>	<u>\$310,783</u>	<u>\$3,005,655</u>	<u>\$74,474</u>

The 2005 Ft. Loramie Sewer OWDA loan is a twenty year loan in the amount of \$1,562,925 for the Fort Loramie Flow Equalization Project. Per an agreement with the Village of Fort Loramie, the Village is responsible for 65% of the repayment of this debt. The Village of Fort Loramie is making monthly payments to the Sewer Fund for its share of the debt. The County's share of this loan is being repaid from the operating revenues of the Sewer Fund. The McCartyville Sewer OWDA loan is a twenty year, \$643,518 loan for the planning and construction of the McCartyville Sewer Collection System. It is being repaid from the operating revenues of the Sewer Fund. The Millcreek Sewer OWDA loan is a 30 year, \$415,920 loan for the construction of the Millcreek Subdivision Sewer project. That project was also funded through a 30 year, \$147,087 OPWC loan. These loans will be repaid from operating revenues of the Sewer Fund. The Ketersville Sewer USDA loan is a 30 year, \$520,000 loan. This loan will also be paid from operating revenues of the Sewer Fund. The 1998 Arrowhead Hills OPWC loan is a twenty year loan that was issued in the amount of \$75,000 for the purpose of making improvements to the Arrowhead Hills Water System. It is being repaid from the Sewer Enterprise Fund's operating revenues.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2013, are an overall debt margin of \$23,382,920 and an un-voted debt margin of \$9,878,920.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

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

Year	<u>Governmental Activities</u>	
	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$65,200	\$3,031
2015	58,547	979
Totals	<u>\$123,747</u>	<u>\$4,010</u>

Year	<u>Business-Type Activities</u>					
	<u>Ft. Loramie Sewer OWDA</u>		<u>McCartyville Dewer OWDA</u>		<u>Millcreek Sewer OWDA</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$34,480	\$21,409	\$16,088		\$5,811	\$2,823
2015	70,911	40,866	32,176		11,752	5,516
2016	73,596	38,182	32,176		11,929	5,339
2017	76,381	35,396	32,176		12,109	5,159
2018	79,272	32,505	32,176		12,291	4,976
2019-2023	443,708	115,181	160,878		64,287	22,052
2024-2028	363,457	27,765	144,792		69,275	17,063
2029-2033					74,648	11,689
2034-2038					80,439	5,899
2039-2040					33,898	637
Totals	<u>\$1,141,805</u>	<u>\$311,304</u>	<u>\$450,462</u>	<u>\$0</u>	<u>\$376,439</u>	<u>\$81,153</u>

Year	<u>Business-Type Activities</u>					
	<u>Arrowhead Hills OPWC</u>		<u>Millcreek Sewer OPWC</u>		<u>Kettlersville Sewer USDA</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$1,875		\$2,451		\$6,000	\$17,550
2015	3,750		4,903		7,000	17,348
2016	3,750		4,903		7,000	17,111
2017	3,750		4,903		7,000	16,785
2018	3,750		4,903		8,000	16,639
2019-2023			24,516		43,000	79,043
2024-2028			24,515		52,000	71,180
2029-2033			24,515		61,000	61,864
2034-2038			24,516		71,000	50,893
2039-2043			14,705		86,000	37,903
2044-2048					102,000	22,377
2049-2051					70,000	4,759
Totals	<u>\$16,875</u>	<u>\$0</u>	<u>\$134,830</u>	<u>\$0</u>	<u>\$520,000</u>	<u>\$413,452</u>



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**Conduit Debt**

From time to time, the County has issued bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The County issued hospital revenue bonds in 1992, 1996, and 1997. The principal amount outstanding at December 31, 2013, was \$4,060,000, \$918,573, and \$553,283, respectively. In 2013, the County issued multi-family housing mortgage revenue bonds with the principal amount of \$11,100,000 outstanding as of December 31, 2013. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County; neither is the full faith and credit or taxing power of the County pledged to make repayment.

**16. INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2013, 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. \$44,500 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 Receivable</b>				<b>Total</b>
	<b>General Fund</b>	<b>Public Assistance Fund</b>	<b>Auto License and Gas Fund</b>	<b>Non-major Governmental Funds</b>	
<b>Interfund Payable</b>					
General Fund			\$6,667	\$44,512	\$51,179
Developmental Disabilities Fund			8,286		8,286
<b>Non-major:</b>					
Governmental Funds	\$8,276	\$147,261	194	55,000	210,731
<b>Total</b>	<b>\$8,276</b>	<b>\$147,261</b>	<b>\$15,147</b>	<b>\$99,512</b>	<b>\$270,196</b>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The General Fund had transfers out of sales tax revenue to the Auto and Gas Fund of \$735,626, and to non-major governmental funds equal to \$964,348; \$735,626 was to transfer sales tax, and \$228,722 was to subsidize other funds. The General Fund had transfers in of \$703,327 and the Sewer Fund had transfers in of \$105,000 from the Permanent Improvement Fund to help cover costs for 2013.

**17. FUND BALANCE**

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2013 were as follows:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**17. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Public Assistance</u>	<u>Auto License and Gas Tax</u>
<b>Non-Spendable:</b>			
Inventory	\$57,244	\$1,329	\$151,596
Prepaid Items	75,922	39,821	1,816
Unclaimed Monies	47,838		
Long-Term Advances			
Long-Term Notes Receivable			
Long-Term Loans Receivable			
Total Non-Spendable	<u>181,004</u>	<u>41,150</u>	<u>153,412</u>
<b>Restricted for:</b>			
Roads, Bridges, and Culverts			5,404,584
Ditch Maintenance			
Public Assistance		317,514	
Developmental Disabilities			
Dog and Kennel			
Ohio Department of Natural Resources Grant			
Real Estate Assessment and Collection			
Judiciary Operations and Special Projects			
Public Safety			
Child Support Enforcement			
Community Development			
Debt Service			
Capital Improvements			
Developmental Disabilities Capital Improvements			
Total Restricted		<u>317,514</u>	<u>5,404,584</u>
<b>Committed to:</b>			
Sheriff Commissary			
Developmental Disabilities Daycare			
Total Committed			
<b>Assigned for:</b>			
Unpaid Obligations	122,888		
Recycling Center	59,927		
Court Appointed Special Advocates Program	28,151		
Crimestoppers Rewards	10,914		
Total Assigned	<u>221,880</u>		
Unassigned	2,068,609		
Total Fund Balance	<u>\$2,471,493</u>	<u>\$358,664</u>	<u>\$5,557,996</u>

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**17. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Non-Spendable:</b>			
Inventory	\$4,926		\$215,095
Prepaid Items	15,839	\$54,137	187,535
Unclaimed Monies			47,838
Long-Term Advances		44,500	44,500
Long-Term Loans Receivable		712,512	712,512
Total Non-Spendable	<u>20,765</u>	<u>811,149</u>	<u>1,207,480</u>
<b>Restricted for:</b>			
Roads, Bridges, and Culverts		78,507	5,483,091
Ditch Maintenance		396,570	396,570
Public Assistance			317,514
Developmental Disabilities	8,841,021		8,841,021
Dog and Kennel		17,732	17,732
Ohio Department of Natural Resources Grant			
Real Estate Assessment and Collection		992,953	992,953
Judiciary Operations and Special Projects		622,947	622,947
Public Safety		208,135	208,135
Child Support Enforcement		163,554	163,554
Community Development		215,014	215,014
Debt Service		65,200	65,200
Capital Improvements		2,716,136	2,716,136
Total Restricted	<u>8,841,021</u>	<u>5,476,748</u>	<u>20,039,867</u>
<b>Committed to:</b>			
Sheriff Commissary		16,939	16,939
Developmental Disabilities Daycare	183,954		183,954
Total Committed	<u>183,954</u>	<u>16,939</u>	<u>200,893</u>
<b>Assigned for:</b>			
Unpaid Obligations			122,888
Recycling Center			59,927
Court Appointed Special Advocates Program			28,151
Crimestoppers Rewards			10,914
Total Assigned			<u>221,880</u>
Unassigned			2,068,609
Total Fund Balance	<u>\$9,045,740</u>	<u>\$6,304,836</u>	<u>\$23,738,729</u>

**18. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2013, 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 12/31/13</u>
AMCAD	New court computer system	\$100,000	\$2,378	\$97,622
Midwest Maintenance	Masonry work at jail	326,921	270,487	56,434
Lake County Sewer Company	Arrowhead Hills Sewer Project	325,000	244,934	80,066
City of Sidney	Demolition Services	120,681	42,167	78,514

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**A. Nature of Organization**

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

S and H Products is exempt under Internal Revenue Code Section 501(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, 2012, to June 30, 2013.

**B. Classification of Net Position**

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

Temporarily restricted net position 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 positions and are reported in the statement of activities and changes in net position.

Permanently restricted net position comprise those assets contributed to the component units by donors who have indicated an intention that the assets are to remain in perpetuity as permanent endowments of the component units. Investment income generated by these assets is reported as unrestricted or temporarily restricted, depending upon whether the donors have limited the expenditure of income to a particular purpose or purposes or have indicated that such income is to be available for the general purposes of the component units. At June 30, 2013, all of the assets of the component unit are unrestricted, except for \$49,913 that is net investment in capital assets.

**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 position. This includes cash and any investment with an original maturity of three months or less. Investments held by S and H Products are classified as "Investment in Segregated Accounts."

At fiscal year-end, the carrying amount of deposits for S and H Products was \$295,964 and the bank balance was \$298,373.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$85,919 of the government's bank balance of \$298,373 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 entity's name.

As of June 30, 2013, S and H Products had the following investments with maturities less than one year:

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

<u>Investment Type</u>	<u>Carrying Value</u>
T Rowe Price Equity Income Fund	\$37,290
Managers Pimco Bond Fund	33,619
Metropolitan West	36,756
Perkins Mid Cap	29,767
Royce Special Equity Fund	34,685
Vanguard Total Bond Market	93,612
Permanent Portfolio	42,085
Sequoia Fund	29,570
Tweedy Browne Global Value Fund	36,168
Total	\$373,552

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

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$146,214	\$523,552
Cash on Hand	(250)	
Investments:		
Certificates of Deposit	150,000	(150,000)
GASB Statement No. 3	\$295,964	\$373,552

**D. Capital Assets**

A summary of S and H Products capital assets at June 30, 2013, follows:

Leasehold Improvements	\$25,057
Shop and Office Equipment	181,057
Transportation Equipment	45,550
Total Capital Assets Being Depreciated	251,664
Less Accumulated Depreciation	(201,751)
Total Capital Assets, Net	\$49,913

It is the component unit's policy to capitalize all assets in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over an estimated useful life of 15 years for leasehold improvements, 10 years for shop and office equipment, and 5 years for transportation equipment. Depreciation expense for the year amounted to \$13,935.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

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

**E. Segment Information**

Net working capital for S and H Products was \$548,461. Other segment information can be obtained in the combined financial statements.

**F. Related Party Transactions**

Shelby County provided facilities, equipment, transportation and salaries for administration, implementation, and supervision programs to S&H Products during fiscal year 2013. S&H Products is unable to place a value on the materials and services received from Shelby County, as determined by the Shelby County Board of Developmental Disabilities. In other transactions with Shelby County, S&H Products received \$6,892 for the year ended June 30, 2013 for goods and services. S&H Products did not make any payments for goods and services received from Shelby County for the fiscal year ended June 30, 2013.

**20. JOINT VENTURES**

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

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2013, the County contributed \$60,000 (51 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 Cheri Drinkwine, Director, located at 800 Fair Road, Sidney, Ohio 45365.

**B. Shelby County Regional Planning Commission**

The Shelby County Regional Planning Commission (the Commission) is a joint venture among the County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. All units of local government may become a member of the Commission. The Board is comprised of representatives appointed by member units of local government. The Board of County Commissioners may appoint three representatives, at least one being a county representative, one being a municipal resident and one being a resident of the unincorporated portion of Shelby County. The City of Sidney may appoint three representatives, each village may appoint one representative, each township may appoint one representative and the County Engineer is an ex-officio member. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. During 2013, the County contributed \$5,383 to the operation of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from Dianna Reisinger, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**21. JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri County Board of Recovery and Mental Health Services**

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

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2013, a tax levy provided \$515,675 (24 percent of total tax revenue) for the operations of the organization.

**B. West Central Ohio Network**

The West Central Ohio Network (WestCON) is a jointly governed organization among Allen, Shelby, Darke, Miami, Auglaize, Mercer, Logan, and Union counties. WestCON was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of WestCON. The Board consists of one delegate, who is the Superintendent, from each of the participating Boards of Developmental Disabilities. During 2013, the County did not have any Board allocated payments to WestCON.

**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 2013, 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, 2013  
(Continued)**

**22. RELATED ORGANIZATION**

**The Shelby Metropolitan Housing Authority**

The Shelby Metropolitan Housing Authority (SMHA) is a related organization of Shelby County. The SMHA is a legally separate body politic. The majority of the SMHA Board is appointed by Shelby County. The SMHA Board is composed of five representatives, who include: one member appointed by the Shelby County Common Pleas Court Judge; one member appointed by the Shelby County Commissioners; one member appointed by the Shelby County Probate Court Judge; and two members appointed by the Mayor of Sidney. The County is not able to impose its will on the SMHA and no financial benefit and/or burden relationship exists. The SMHA is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The general purpose of the SMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. During 2013, the County did not have any financial contributions to the operation of the SMHA.

**23. RISK SHARING POOLS**

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

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

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

**B. Midwest Employee Benefit Consortium**

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

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



**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**24. RELATED PARTY TRANSACTIONS**

**A. S and H Products**

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

In 2013, the County was unable to establish a value for the contributions to S and H Products for salaries, fringes, maintenance and repairs of buildings, transportation, and administrative costs.

**B. Residential Services Support, Inc.**

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

During 2013, the County received \$107,100 in Community Capital Assistance Funding to purchase an additional RSSI property. As of December 31, 2013, RSSI managed nine properties on behalf of Shelby County Board of Developmental Disabilities. There are no outstanding mortgages on any of these properties.

**25. CONTINGENCIES**

**A. Litigation**

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

**B. Grants**

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(Continued)**

**25. CONTINGENCIES (Continued)**

**C. Ohio EPA**

On May 14, 2012, the Ohio Environmental Protection Agency (EPA) issued Director's Final Findings and Orders to the Shelby County Board of Commissioners disclosing that the Newport Area is an unincorporated area in Shelby County, Ohio, wherein centralized wastewater facilities are unavailable. The Director's Orders require that not later than five months the County shall submit to the Ohio EPA for approval a general plan for sewage improvements or other methods of abating pollution and correcting the unsanitary conditions for the Newport Area, implementation of the plan, complete the sewage system installation within six years in accordance with the approved permit to install application and achieve compliance with Ohio's water pollution control laws, and finally provide notice to the Ohio EPA in writing completion of the Order's. The County Commissioner's on July 30, 2013 engaged Calfee, Halter & Griswold LLP to Provide Legal Services Related to Shelby County's Compliance with the Ohio EPA Director's Final Findings and Orders Regarding Newport, Ohio. No liability determination has been made at this time.

**26. SUBSEQUENT EVENTS**

On July 22, 2014 the County Commissioner's approved a request for obligation of funds and a letter of intent to meet conditions with the U.S. Department Of Agriculture, for the construction of sewer collection facilities and force main to serve the unincorporated hamlet of newport in Cynthian Township, Shelby County, Ohio. The County had been approved to become a recipient of Federal Financial Assistance for a \$511,000 loan and grant in the amount of \$1,717,000 for the project.

On July 17, 2014, Shelby County issued manuscript debt in the amount of \$3,120,000 at the rate of 1.25% and maturing on July 17, 2019, for the purpose of acquiring improvements for the Shelby County Courthouse.

**FINANCIAL CONDITION  
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>(Passed Through Ohio Department of Job and Family Services):</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0113/G-1415-11-5426	10.561	200,965
<i>(Direct)</i>			
Water and Waste Disposal Systems for Rural Communities		10.760	<u>158,555</u>
Total U.S. Department of Agriculture			<u>359,520</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>(Passed Through Ohio Department of Development):</i>			
Community Development Block Grants/States' Program and Non-entitlement Grants in Hawaii	B-C-11-1CR-1	14.228	84,554
	B-F-11-1CR-1		18,616
	B-F-12-1CR-1		<u>76,870</u>
Total Community Development Block Grants/States' Program and Non-entitlement Grants in Hawaii			180,040
Home Investment Partnership Program	B-C-11-1CR-2	14.239	<u>197,942</u>
Total U.S. Department of Housing and Urban Development			<u>377,982</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>(Passed Through Ohio Department of Youth Services)</i>			
Juvenile Accountability Block Grant	2011-JB-015-B072	16.523	8,666
<i>(Passed Through Ohio Department of Public Safety):</i>			
Crime Victim Assistance	2014VAGENE421	16.575	10,295
	2013VAGENE421		32,253
	2014VACHAE440		2,488
	2013VACHAE440		<u>8,328</u>
Total -Crime Victim Assistance			<u>53,364</u>
JAG Program Cluster: Edward Byrne Memorial Justice Assistance Grant Program	2009-JG-COV-V6954	16.738	50,000
ARRA Edward Byrne Memorial Justice Assistance Grant Program - Recovery Act	2012-JG-LLE-5310	16.803	<u>6,466</u>
Total JAG Program Cluster			56,466
Total U.S. Department of Justice			<u>118,496</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>(Passed Through Ohio Department of Job and Family Services / Area 7 Workforce Investment Board):</i>			
<b>Workforce Investment Act Cluster</b>			
Workforce Investment Act - Adult Program	2012-7375-1 / 2013-7375-1	17.258	87,327
Workforce Investment Act - Adult Program Administrative	2012-7375-1 / 2013-7375-1	17.258	<u>3,759</u>
Workforce Investment Act - Adult Program Total			91,086
Workforce Investment Act - Youth Activities	2012-7375-1 / 2013-7375-1	17.259	134,009
Workforce Investment Act - Youth Activities Administrative	2012-7375-1 / 2013-7375-1	17.259	<u>3,521</u>
Workforce Investment Act - Youth Activities Total			137,530
Workforce Investment Act - Dislocated Worker Formula Grants	2012-7375-1 / 2013-7375-1	17.278	112,076
Workforce Investment Act - Dislocated Worker Formula Grants - Admin	2012-7375-1 / 2013-7375-1	17.278	<u>2,989</u>
Workforce Investment Act - Dislocated Worker Formula Grants Total			115,065
Total Workforce Investment Act Cluster			<u>343,681</u>
Total U.S. Department of Labor			<u>343,681</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>(Passed Through Ohio Department of Transportation):</i>			
Highway Planning and Construction	PID 96203	20.205	\$6,802
	PID 97005		<u>14,522</u>
Total Highway Planning and Construction and U.S. Department of Transportation			21,324
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>(Passed Through Ohio Department of Education):</i>			
Special Education Preschool Grants	071159-PG-SI-13P	84.173	35,156
	071159-PG-SI-14P		<u>16,997</u>
Total Special Education Preschool Grants			52,153

**FINANCIAL CONDITION  
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<i>(Passed Through Ohio Department of Health)</i>			
Special Education-Grants for Infants and Families	07510021HG0413	84.181	22,026
	07510021HG0514		9,570
Total Special Education-Grants for Infants and Families			31,596
Total U.S. Department of Education			83,749
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>(Passed Through Ohio Department of Mental Health and Addiction Services)</i>			
Promoting Safe and Stable Families	5-AU-13-100-22-076	93.556	22,316
	5-AU-C-14-100-22-112		7,865
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Promoting Safe and Stable Families	G-1213-11-0113/G-1415-11-5426	93.556	49,892
Total Promoting Safe and Stable Families			80,073
Child Support Enforcement	G-1213-11-0113/G-1415-11-5426	93.563	422,677
Stephanie Tubbs Jones Child Welfare Services Programs	G-1213-11-0113/G-1415-11-5426	93.645	16,378
Temporary Assistance for Needy Families	G-1213-11-0113/G-1415-11-5426	93.558	790,977
Foster Care - Title IV-E	G-1213-11-0113/G-1415-11-5426	93.658	64,283
Children's Health Insurance Program	G-1213-11-0113/G-1415-11-5426	93.767	10,735
Medical Assistance Program	G-1213-11-0113/G-1415-11-5426	93.778	292,402
<i>(Passed Through Ohio Department of Development Disabilities):</i>			
Medical Assistance Program	CY2013 MAC	93.778	12,734
Medical Assistance Program	CY2012 MAC	93.778	11,707
Total Medical Assistance Program			316,843
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Adoption Assistance	G-1213-11-0113/G-1415-11-5426	93.659	173,521
Social Services Block Grant	G-1213-11-0113/G-1415-11-5426	93.667	433,134
<i>(Passed Through Ohio Department of Development Disabilities):</i>			
Social Services Block Grant	CY2013 TXX	93.667	41,542
Total Social Services Block Grant			474,676
<i>(Passed Through Ohio Department of Job and Family Services)</i>			
Child Care and Development Block Grant	G-1213-11-0113/G-1415-11-5426	93.575	56,044
<i>(Passed Through Ohio Department of Aging)</i>			
<i>(Passed Through Area Agency on Aging)</i>			
<b>Aging Cluster</b>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	N/A	93.044	34,814
Special Programs for the Aging - Title III, Part C - Nutrition Services		93.045	65,391
Nutrition Services Incentive Program		93.053	11,009
Total Aging Cluster			111,214
<i>(Passed through the Ohio Secretary of State)</i>			
Voting Access for Individuals with Disabilities Grants to States	N/A	93.617	2,990
Total U.S. Department of Health and Human Services			2,520,411
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>(Passed through Ohio Department of Public Safety)</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4077-DR-149U5NFZ	97.036	1,046
Total			<u>\$3,826,209</u>

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

**FINANCIAL CONDITION  
SHELBY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B— SUBRECIPIENTS**

The County passes certain Federal awards received from Ohio Department of Jobs and Family Services and the Area 7 Workforce Investment Board to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County reports expenditures of Federal awards to subrecipients when paid in cash.

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

**NOTE C— HOME INVESTMENT PARTNERSHIP PROGRAM (HIPP) REVOLVING LOAN PROGRAM**

The County has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans. These loans are collateralized by mortgages on the property.

Activity in the HIPP revolving loan fund during 2013 is as follows:

Beginning Loans Receivable Balance as of January 1, 2013	\$757,705
Loans Made	121,949
Loan Principal Repaid	(7,000)
Declining Balance Loan Forgiveness	(101,019)
Loans Discharged	(4,100)
Ending Loans Receivable Balance as of December 31, 2013	<u>\$767,535</u>
Cash balance on hand in the revolving loan fund as of December 31, 2013	\$104,074
Administrative costs expended during 2013	\$0

**NOTE D -- MATCHING REQUIREMENTS**

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

**NOTE E – COMMINGLING**

Federal funds received from Workforce Investment Act, Medicaid, Aging Cluster, and Crime Victim Assistance programs were commingled with state subsidy and local revenues. When reporting expenditures on this Schedule, the County assumes that federal dollars are expended first.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Shelby County, (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2014 wherein we noted that the County adopted provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We also noted fund balance was restated in the Developmental Disabilities Fund and for a fund reclassification. Our report refers to other auditors who audited the financial statements of the S & H products (discretely presented component unit), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2014





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Shelby County  
129 East Court Street  
Sidney, Ohio 45365

To the Board of County Commissioners:

### ***Report on Compliance for Each Major Federal Program***

We have audited Shelby County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Shelby County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Shelby County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

**Report on Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2014

**FINANCIAL CONDITION  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Workforce Investment Act (WIA) Cluster <ul style="list-style-type: none"> <li>• CFDA #17.258 – Adult Program</li> <li>• CFDA #17.259 – Youth Activities</li> <li>• CFDA #17.278 Dislocated Worker Formula Grants</li> </ul> CFDA # 93.563 – Child Support Enforcement CFDA #93.778 – Medical Assistance Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

## SHELBY COUNTY FINANCIAL CONDITION

### SHELBY COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 23, 2014