



Dave Yost • Auditor of State

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, each major fund, and the aggregate remaining fund information of Shelby County, Ohio (the County), as of and for the year ended December 31, 2015, 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 audited 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, Ohio, as of December 31, 2015, 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 discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

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* and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 September 21, 2016, 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 "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2016

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

The County's total net position increased \$850,428 during 2015. Net position of governmental activities increased \$910,804 (about one percent). Net position of business-type activities decreased by \$60,376 (less than one percent).

The General Fund transfers out equaled \$3,554,269. Of these transfers, \$3,317,442 were transfers of sales tax receipts to the Auto and Gas and Capital Improvements Funds, and the remaining \$236,827 were transfers to subsidize various programs of the non-major governmental funds.

Business-type operations showed total operating revenue of \$7,934,003 and total operating expenses of \$8,162,002 for an operating loss of \$227,999. Total business-type unrestricted net position was (\$1,339,915). This total includes (\$1,229,900) for the Fair Haven Fund and (\$110,015) for the Sewer Fund.

Capital assets, net of accumulated depreciation, increased \$1,106,734 for governmental activities.

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.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

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 11. 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, Capital Improvement Tax, 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.

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 2015 compared to 2014.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Assets						
Current and Other Assets	\$37,020,419	\$39,248,961	\$4,384,926	\$4,635,059	\$41,405,345	\$43,884,018
Capital Assets	76,206,572	75,099,839	11,852,028	11,600,377	88,058,600	86,700,216
Total Assets	113,226,991	114,348,800	16,236,954	16,235,436	129,463,945	130,584,234
Deferred Outflows						
Pension	2,887,656	1,902,025	650,481	476,283	3,538,137	2,378,308
Liabilities						
Current Liabilities	1,147,067	3,036,434	526,627	481,547	1,673,694	3,517,981
Long-Term Liabilities:						
Due within One Year	105,900	191,081	84,474	85,381	190,374	276,462
Due in More Than One Year						
Pension Liability	15,429,181	14,729,526	3,305,192	3,230,539	18,734,373	17,960,065
Other Liabilities	1,719,018	1,676,575	2,902,367	2,843,167	4,621,385	4,519,742
Total Liabilities	18,401,166	19,633,616	6,818,660	6,640,634	25,219,826	26,274,250
Deferred Inflows						
Property Taxes	6,552,882	6,483,324	0	0	6,552,882	6,483,324
Pension	544,648	428,738	58,066	0	602,714	428,738
Total Deferred Inflows	7,097,530	6,912,062	58,066	0	7,155,596	6,912,062
Net Position						
Net Investment in Capital Assets	76,155,235	75,062,386	9,992,629	9,849,972	86,147,864	84,912,358
Restricted for:						
Other Purposes	19,526,013	19,595,901	0	0	19,526,013	19,595,901
Capital Outlay	1,056,692	2,161,122	1,357,995	1,484,667	2,414,687	3,645,789
Unrestricted	(6,121,989)	(7,114,262)	(1,339,915)	(1,263,556)	(7,461,904)	(8,377,818)
Total Net Position	\$90,615,951	\$89,705,147	\$10,010,709	\$10,071,083	\$100,626,660	\$99,776,230

During 2015, the County adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the County's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the County's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the County is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the County's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the County is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$115,786,731 to \$99,776,230.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

The decrease in the current assets of the governmental activities was mostly due to a decrease in cash balances of \$2,228,542. A large portion of this was due to payments from the Capital Improvement Tax Fund for courthouse renovations. This is also the reason for the increase in Capital Assets and Net Investment in Capital Assets.

The decrease in current liabilities of governmental funds was from a decrease in contracts payable compared to the prior year. At December 31, 2014, contracts payable were 1.3 million for the courthouse renovations and the jail security system.

Net Position Restricted for Capital Outlay of governmental funds decreased due to the courthouse renovations.

Total net position increased \$850,430. Net position of the County's governmental activities increased by \$910,804, with unrestricted net position increasing \$992,273. The net position of the County's business-type activities decreased by \$60,374.

Table 2 shows the changes in net position for the year ended December 31, 2015, as compared with the year ended December 31, 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$7,472,996	\$7,263,921	\$7,905,362	\$7,882,049	\$15,378,358	\$15,145,970
Operating Grants, Contributions and Interest	12,453,646	12,221,307	0	0	12,453,646	12,221,307
Capital Grants and Contributions	160,370	245,550	99,238	197,321	259,608	442,871
Total Program Revenues	<u>20,087,012</u>	<u>19,730,778</u>	<u>8,004,600</u>	<u>8,079,370</u>	<u>28,091,612</u>	<u>27,810,148</u>
General Revenues:						
Property and Other Taxes	6,703,622	6,307,043	0	0	6,703,622	6,307,043
Permissive Sales Tax	10,040,539	9,967,365	0	0	10,040,539	9,967,365
Grants and Entitlements	3,235,348	3,444,861	0	0	3,235,348	3,444,861
Interest	219,371	176,853	11,726	11,988	231,097	188,841
Other	73,148	127,480	28,642	112,144	101,790	239,624
Total General Revenues	<u>20,272,028</u>	<u>20,023,602</u>	<u>40,368</u>	<u>124,132</u>	<u>20,312,396</u>	<u>20,147,734</u>
Total Revenues	<u>40,359,040</u>	<u>39,754,380</u>	<u>8,044,968</u>	<u>8,203,502</u>	<u>48,404,008</u>	<u>47,957,882</u>
Program Expenses						
Legislative and Executive	5,239,695	4,853,555	0	0	5,239,695	4,853,555
Judicial	2,694,333	2,662,886	0	0	2,694,333	2,662,886
Public Safety	5,538,684	5,296,723	0	0	5,538,684	5,296,723
Public Works	11,080,220	11,471,566	0	0	11,080,220	11,471,566
Health	348,017	369,788	0	0	348,017	369,788
Human Services	13,861,154	14,482,878	0	0	13,861,154	14,482,878
Conservation and Recreation	0	120,000	0	0	0	120,000

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

Table 2
Changes in Net Position (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Economic Development and Assistance	325,068	425,956	0	0	325,068	425,956
Intergovernmental	235,750	215,640	0	0	235,750	215,640
Interest and Fiscal Charges	40,315	2,085	0	0	40,315	2,085
Fair Haven	0	0	7,011,685	7,327,329	7,011,685	7,327,329
Sewer	0	0	1,178,659	1,261,961	1,178,659	1,261,961
Total Expenses	<u>39,363,236</u>	<u>39,901,077</u>	<u>8,190,344</u>	<u>8,589,290</u>	<u>47,553,580</u>	<u>48,490,367</u>
Increase(Decrease) in Net Position Before Transfers	995,804	(146,697)	(145,376)	(385,788)	850,428	(532,485)
Transfers	<u>(85,000)</u>	<u>(134,950)</u>	<u>85,000</u>	<u>134,950</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>\$910,804</u>	<u>(\$281,647)</u>	<u>(\$60,376)</u>	<u>(\$250,838)</u>	<u>\$850,428</u>	<u>(\$532,485)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore 2014 functional expenses still include pension expense of \$2,211,776 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required pension contributions to the plan. Under GASB 68, pension expense represents additional amount earned, adjusted by deferred inflows/outflows. The contractually required pension contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,143,361. Consequently, in order to compare 2015 program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$39,363,236	\$8,190,344	\$47,553,580
Pension expense under GASB 68	(1,710,714)	(432,647)	(2,143,361)
2015 contractually required contribution	1,800,810	410,966	2,211,776
Adjusted 2015 program expenses	<u>39,453,332</u>	<u>8,168,663</u>	<u>47,621,995</u>
Total 2014 program expenses under GASB 27	<u>39,901,077</u>	<u>8,589,290</u>	<u>48,490,367</u>
Decrease in program expenses not related to pension	<u>(\$447,745)</u>	<u>(\$420,627)</u>	<u>(\$868,372)</u>

Governmental Activities

Operating grants, capital grants, and grants and entitlements is the largest source of revenue for Shelby County, comprising approximately 39% of total revenues of governmental activities for 2015. Program specific grants and entitlements made up 31% 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.

Permissive sales tax is the next largest source of revenue for the County, making up 25% of total revenues.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

The County's direct charges to users of governmental services made up around 19% of total governmental revenues for 2015. 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 17% of total revenues for 2015.

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

Human services programs accounted for approximately 35% of total expenses for governmental activities. Public works expenditures, which include depreciation taken on the infrastructure assets of \$5,577,973 less additions to the infrastructure assets of \$2,349,901, make up approximately 28% of total expenses. Other major program expenses for governmental activities include public safety programs and general government legislative and executive, which accounted for 14%, and 13% 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 7.2 million for capital assets. These assets included the purchase of safety and road maintenance equipment and vehicles, bridge replacements and road resurfacing, a jail security system, and courthouse renovations.

Business-Type Activities

The net position of business-type activities decreased by \$60,376 during 2015. Charges for services were the largest revenue source, accounting for 98% of total business-type activities revenues. Capital grants and contributions accounted for 1% of revenues during 2015. The Fair Haven County Home and the Sewer Fund received capital assets that were purchased from governmental funds. Interest and miscellaneous revenues also accounted for about one percent of total revenues during 2015.

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 2015 and 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

Table 3

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$5,239,695	\$2,216,119	\$4,853,555	\$1,827,633
Judicial	2,694,333	1,540,337	2,662,886	1,527,199
Public Safety	5,538,684	3,206,678	5,296,723	3,817,201
Public Works	11,080,220	6,020,727	11,471,566	6,237,654
Health	348,017	116,107	369,788	181,355
Human Services	13,861,154	5,815,257	14,482,878	6,367,313
Conservation and Recreation	0	0	120,000	1,800
Economic Development and Assistance	325,068	84,934	425,956	(7,581)
Intergovernmental	235,750	235,750	215,640	215,640
Interest and Fiscal Charges	40,315	40,315	2,085	2,085
Total Expenses	<u>\$39,363,236</u>	<u>\$19,276,224</u>	<u>\$39,901,077</u>	<u>\$20,170,299</u>

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

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

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 18. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$40,766,587 and expenditures of \$40,750,249.

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 \$3,712,922 while total fund balance was \$4,170,427, an increase of \$994,866 from the prior year, due to an increase in receipts. The Public Assistance Fund balance increased \$59,646 due to normal operations of the fund. The Auto License and Gas Fund balance decreased \$580,164. The Developmental Disabilities fund balance increased \$1,038,601. The Capital Improvement Tax fund balance decreased by \$1,798,584 due mainly to courthouse renovation expenditures.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

The enterprise funds reflect an operating loss for 2015. Fair Haven had operating income of \$46,115. The Sewer Fund had an operating loss of \$274,114 caused in part by depreciation expense on assets, (most of which are infrastructure assets) of \$314,356.

Major Funds Budgeting Highlights

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

During 2015, the General Fund had original appropriations of \$15,763,216 and final appropriations of \$16,101,169. Actual expenditures plus encumbrances for 2015 were \$15,716,257.

Capital Assets and Debt Administration

Capital Assets

Table 4
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Land	\$2,419,034	\$2,419,034	\$407,208	\$407,208
Construction in Progress	0	0	326,356	0
Buildings	21,103,598	17,534,311	1,417,445	1,412,294
Equipment	1,177,427	1,023,582	224,465	20,974
Furniture and Fixtures	43,358	53,688	0	0
Vehicles	2,615,214	1,969,309	76,205	82,857
Infrastructure	48,847,941	52,099,915	9,400,349	9,677,044
Totals	<u>\$76,206,572</u>	<u>\$75,099,839</u>	<u>\$11,852,028</u>	<u>\$11,600,377</u>

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

Debt

At December 31, 2015, Shelby County had \$46,458 in long-term governmental debt outstanding, and \$2,627,784 in long-term enterprise debt.

Shelby County, Ohio
Managements' Discussion and Analysis
Unaudited
For the Year Ended December 31, 2015

Table 5
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
General Obligation Bonds	\$0	\$58,547	\$0	\$0
Loans Payable	0	0	2,627,784	2,582,089
Capital Leases	46,458	37,453	0	0
Totals	\$46,458	\$96,000	\$2,627,784	\$2,582,089

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

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.

Manuscript Debt

During 2014, the County issued \$3,120,000 general obligation bonds to fund the courthouse renovations. The Auto and Gas and Permanent Improvement Funds are the purchasing funds and the Capital Improvement Tax Fund is the borrowing fund. Interfund receivables and payables have been set up in these funds. See Note 16 of the notes to the basic financial statements for more detailed information on the manuscript debt.

The County's overall legal debt margin was \$24,740,723 as of December 31, 2015. The more restrictive unvoted legal debt margin was \$8,998,689 as of the same date.

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 Amy Berning, County Auditor, Shelby County, 129 East Court Street, Sidney, Ohio 45365.

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Shelby County, Ohio
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$21,876,706	\$678,904	\$22,555,610
Cash and Cash Equivalents in Segregated Accounts	66,345	8,494	74,839
Investments in Segregated Accounts	0	1,330,549	1,330,549
Cash and Cash Equivalents with Fiscal Agent	76,640	0	76,640
Accrued Interest Receivable	35,888	1,618	37,506
Permissive Sales Tax Receivable	1,639,724	0	1,639,724
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	436,952	861,141	1,298,093
Inventory of Supplies and Materials	378,252	5,576	383,828
Due from Other Governments	4,649,636	793,624	5,443,260
Property and Other Taxes Receivable	6,641,931	0	6,641,931
Prepaid Items	209,829	5,490	215,319
Notes Receivable	697,859	0	697,859
Special Assessments Receivable	310,657	46,056	356,713
Loans Receivable	0	653,474	653,474
Depreciable Capital Assets, Net	73,787,538	11,118,464	84,906,002
Capital Assets, Not Being Depreciated	2,419,034	733,564	3,152,598
<i>Total Assets</i>	<u>113,226,991</u>	<u>16,236,954</u>	<u>129,463,945</u>
Deferred Outflows of Resources			
Pension	2,887,656	650,481	3,538,137
Liabilities			
Accounts Payable	230,008	158,081	388,089
Contracts Payable	99,913	111,189	211,102
Retainage Payable	9,167	11,394	20,561
Accrued Wages Payable	333,062	138,451	471,513
Due to Other Governments	464,995	100,386	565,381
Accrued Interest Payable	0	7,126	7,126
Matured Compensated Absences Payable	9,922	0	9,922
Long Term Liabilities:			
Due Within One Year	105,900	84,474	190,374
Due in More Than One Year:			
Net Pension Liability	15,429,181	3,305,192	18,734,373
Other Amounts Due in More Than One Year	1,719,018	2,902,367	4,621,385
Total Due in More Than One Year	<u>17,148,199</u>	<u>6,207,559</u>	<u>23,355,758</u>
<i>Total Liabilities</i>	<u>18,401,166</u>	<u>6,818,660</u>	<u>25,219,826</u>
Deferred Inflows of Resources			
Property Taxes Not Levied to Finance Current Year Operations	6,552,882	0	6,552,882
Pension	544,648	58,066	602,714
<i>Total Deferred Inflows of Resources</i>	<u>7,097,530</u>	<u>58,066</u>	<u>7,155,596</u>
Net Position			
Net Investment in Capital Assets	76,155,235	9,992,629	86,147,864
Restricted for:			
Other Purposes	19,526,013	0	19,526,013
Capital Outlay	1,056,692	1,357,995	2,414,687
Unrestricted	<u>(6,121,989)</u>	<u>(1,339,915)</u>	<u>(7,461,904)</u>
<i>Total Net Position</i>	<u>\$90,615,951</u>	<u>\$10,010,709</u>	<u>\$100,626,660</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,239,695	\$3,010,353	\$13,223	\$0
Judicial	2,694,333	576,537	577,459	0
Public Safety	5,538,684	1,869,955	462,051	0
Public Works	11,080,220	631,438	4,267,685	160,370
Health	348,017	179,375	52,535	0
Human Services	13,861,154	1,205,338	6,840,559	0
Economic Development and Assistance	325,068	0	240,134	0
Intergovernmental	235,750	0	0	0
Interest and Fiscal Charges	40,315	0	0	0
<i>Total Governmental Activities</i>	<u>39,363,236</u>	<u>7,472,996</u>	<u>12,453,646</u>	<u>160,370</u>
Business-type activities:				
Fair Haven	7,011,685	7,029,159	0	76,738
Sewer	1,178,659	876,203	0	22,500
<i>Total business-type activities</i>	<u>8,190,344</u>	<u>7,905,362</u>	<u>0</u>	<u>99,238</u>
<i>Total primary government</i>	<u>\$47,553,580</u>	<u>\$15,378,358</u>	<u>\$12,453,646</u>	<u>\$259,608</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
 Roads and Bridges
 Capital Improvements
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 - Restated (Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$2,216,119)	\$0	(\$2,216,119)
(1,540,337)	0	(1,540,337)
(3,206,678)	0	(3,206,678)
(6,020,727)	0	(6,020,727)
(116,107)	0	(116,107)
(5,815,257)	0	(5,815,257)
(84,934)	0	(84,934)
(235,750)	0	(235,750)
(40,315)	0	(40,315)
<u>(19,276,224)</u>	<u>0</u>	<u>(19,276,224)</u>
0	94,212	94,212
0	(279,956)	(279,956)
0	(185,744)	(185,744)
<u>(19,276,224)</u>	<u>(185,744)</u>	<u>(19,461,968)</u>
2,269,462	0	2,269,462
4,278,421	0	4,278,421
155,739	0	155,739
5,024,645	0	5,024,645
1,698,452	0	1,698,452
1,656,471	0	1,656,471
1,660,971	0	1,660,971
3,235,348	0	3,235,348
219,371	11,726	231,097
73,148	28,642	101,790
(85,000)	85,000	0
<u>20,187,028</u>	<u>125,368</u>	<u>20,312,396</u>
910,804	(60,376)	850,428
<u>89,705,147</u>	<u>10,071,085</u>	<u>99,776,232</u>
<u>\$90,615,951</u>	<u>\$10,010,709</u>	<u>\$100,626,660</u>

Shelby County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	Public Assistance	Auto License and Gas
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,745,699	\$435,317	\$2,503,681
Cash and Cash Equivalents in Segregated Accounts	50,208	0	0
Cash and Cash Equivalents with Fiscal Agents	0	0	0
Receivables:			
Property and Other Taxes	2,285,461	0	15,297
Permissive Sales Tax	1,366,411	0	0
Accounts (Net, where applicable, of Uncollectible Accounts)	249,812	1,310	243
Interfund	19,280	102,174	1,605,011
Special Assessments	0	0	0
Accrued Interest	34,276	0	1,612
Due from Other Governments	951,311	72,765	2,044,243
Prepaid Items	87,939	32,756	22,363
Inventory of Supplies and Materials	56,652	1,624	319,976
Notes Receivable	0	0	0
<i>Total Assets</i>	<u>\$7,847,049</u>	<u>\$645,946</u>	<u>\$6,512,426</u>
Liabilities			
Accounts Payable	\$93,085	\$24,675	\$6,914
Contracts Payable	0	0	20,627
Retainage Payable	0	0	0
Accrued Wages Payable	143,507	29,121	20,629
Due to Other Governments	207,957	67,607	27,479
Interfund Payable	61,563	0	3,405
Matured Compensated Absences Payable	9,922	0	0
<i>Total Liabilities</i>	<u>516,034</u>	<u>121,403</u>	<u>79,054</u>
Deferred Inflows of Resources			
Property Taxes Not Levied to Finance Current Year Operations	2,263,809	0	0
Unavailable Revenue	896,779	47,580	1,405,490
<i>Total Deferred Inflows of Resources</i>	<u>3,160,588</u>	<u>47,580</u>	<u>1,405,490</u>
Fund Balances			
Nonspendable	215,314	34,380	1,540,419
Restricted	0	442,583	3,487,463
Committed	0	0	0
Assigned	242,191	0	0
Unassigned	3,712,922	0	0
<i>Total Fund Balances</i>	<u>4,170,427</u>	<u>476,963</u>	<u>5,027,882</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$7,847,049</u>	<u>\$645,946</u>	<u>\$6,512,426</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Capital Improvement Tax	Other Governmental Funds	Total Governmental Funds
\$10,625,590	\$794,222	\$4,772,197	\$21,876,706
0	0	16,137	66,345
76,640	0	0	76,640
4,341,173	0	0	6,641,931
0	0	273,313	1,639,724
2,825	0	182,762	436,952
0	0	982,362	2,708,827
0	0	310,657	310,657
0	0	0	35,888
1,136,208	0	445,109	4,649,636
16,668	0	50,103	209,829
0	0	0	378,252
0	0	697,859	697,859
<u>\$16,199,104</u>	<u>\$794,222</u>	<u>\$7,730,499</u>	<u>\$39,729,246</u>
\$23,855	\$0	\$81,479	\$230,008
0	68,376	10,910	99,913
0	9,167	0	9,167
116,429	0	23,376	333,062
118,519	0	43,433	464,995
1,908	2,496,000	145,951	2,708,827
0	0	0	9,922
<u>260,711</u>	<u>2,573,543</u>	<u>305,149</u>	<u>3,855,894</u>
4,289,073	0	0	6,552,882
724,091	0	798,546	3,872,486
<u>5,013,164</u>	<u>0</u>	<u>798,546</u>	<u>10,425,368</u>
16,668	0	1,377,252	3,184,033
10,908,561	0	5,110,744	19,949,351
0	0	138,808	138,808
0	0	0	242,191
0	(1,779,321)	0	1,933,601
<u>10,925,229</u>	<u>(1,779,321)</u>	<u>6,626,804</u>	<u>25,447,984</u>
<u>\$16,199,104</u>	<u>\$794,222</u>	<u>\$7,730,499</u>	<u>\$39,729,246</u>

Shelby County, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2015*

Total Governmental Fund Balances	\$25,447,984
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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.	76,206,572
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property and Other Taxes	137,267
Intergovernmental	3,010,650
Accounts Receivable	407,017
Special Assessments	300,299
Interest	<u>17,253</u>

Total	3,872,486
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	2,887,656
Deferred Inflows - Pension	(544,648)
Net Pension Liability	<u>(15,429,181)</u>

Total	(13,086,173)
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Some other 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:

Capital Leases	(46,458)
Compensated Absences	<u>(1,778,460)</u>

Total	<u>(1,824,918)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$90,615,951</u></u>
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See accompanying notes to the basic financial statements

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Shelby County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Public Assistance	Auto License and Gas
Revenues			
Property and Other Taxes	\$2,277,085	\$0	\$155,739
Permissive Sales Tax	8,342,087	0	0
Intergovernmental	1,804,065	3,068,944	4,320,918
Charges for Services	3,375,441	527,307	212,125
Licenses and Permits	56,823	0	0
Fines and Forfeitures	151,312	0	0
Special Assessments	0	0	0
Interest	190,177	0	26,794
Increase in Fair Value of Investments	28,460	0	1,035
Other	205,027	92,226	90,024
<i>Total Revenues</i>	<u>16,430,477</u>	<u>3,688,477</u>	<u>4,806,635</u>
Expenditures			
Current:			
General Government:			
Legislative and Executive	4,017,386	0	0
Judicial	2,123,510	0	0
Public Safety	4,480,814	0	0
Public Works	650,063	0	7,085,820
Health	158,207	0	0
Human Services	631,333	3,628,831	0
Economic Development and Assistance	0	0	0
Intergovernmental	235,750	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	9,991	0	2,283
Interest and Fiscal Charges	567	0	566
<i>Total Expenditures</i>	<u>12,307,621</u>	<u>3,628,831</u>	<u>7,088,669</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,122,856</u>	<u>59,646</u>	<u>(2,282,034)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	0	0	45,399
Inception of Capital Lease	21,279	0	0
Transfers - In	405,000	0	1,656,471
Transfers - Out	(3,554,269)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,127,990)</u>	<u>0</u>	<u>1,701,870</u>
<i>Net Change in Fund Balances</i>	994,866	59,646	(580,164)
<i>Fund Balances Beginning of Year</i>	<u>3,175,561</u>	<u>417,317</u>	<u>5,608,046</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,170,427</u></u>	<u><u>\$476,963</u></u>	<u><u>\$5,027,882</u></u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Capital Improvement Tax	Other Governmental Funds	Total Governmental Funds
\$4,289,646	\$0	\$0	\$6,722,470
0	0	1,698,452	10,040,539
4,423,789	0	2,085,408	15,703,124
54,975	0	1,419,145	5,588,993
0	0	148,093	204,916
0	0	198,807	350,119
0	0	318,951	318,951
33	0	14,000	231,004
0	0	0	29,495
286,174	0	903,525	1,576,976
9,054,617	0	6,786,381	40,766,587
0	0	1,194,165	5,211,551
0	0	777,495	2,901,005
0	0	942,914	5,423,728
0	0	582,358	8,318,241
0	0	181,469	339,676
8,016,016	0	1,649,264	13,925,444
0	0	324,309	324,309
0	0	0	235,750
0	3,420,555	538,057	3,958,612
0	0	58,547	70,821
0	39,000	979	41,112
8,016,016	3,459,555	6,249,557	40,750,249
1,038,601	(3,459,555)	536,824	16,338
0	0	0	45,399
0	0	0	21,279
0	1,660,971	236,826	3,959,268
0	0	(490,000)	(4,044,269)
0	1,660,971	(253,174)	(18,323)
1,038,601	(1,798,584)	283,650	(1,985)
9,886,628	19,263	6,343,154	25,449,969
\$10,925,229	(\$1,779,321)	\$6,626,804	\$25,447,984

Shelby County, Ohio
*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, 2015*

Net Change in Fund Balances - Total Governmental Funds	(\$1,985)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital Outlay	7,310,004
Depreciation	<u>(6,178,786)</u>
Excess of Capital Outlay over Depreciation Expense	1,131,218
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale. In the current year, these amounts consisted of:	
Proceeds from Sale of Assets	(45,399)
Gain on Disposal of Capital Assets	<u>20,915</u>
	(24,484)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	1,880,810
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,710,744)
New capital leases are recorded as other financing sources and uses in the funds, but are recorded as long-term obligations in the statement of net position.	
Inception of Capital Lease	(21,279)
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:	
General Obligation Bond Principal Payments	58,547
Capital Lease Principal Payments	<u>12,274</u>
	70,821
Some revenues that will not be collected for several months after the County's year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:	
Property and Other Taxes	(18,848)
Intergovernmental	(90,438)
Charges for Services	(62,966)
Fines and Forfeitures	(128,910)
Licenses and Permits	(1,080)
Other Revenue	(99,912)
Special Assessments	(6,344)
Interest	<u>952</u>
	(407,546)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:	
Decrease in Accrued Interest	797
Increase in Compensated Absences	(6,804)
	<u>(6,007)</u>
Change in Net Position of Governmental Activities	<u><u>\$910,804</u></u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$2,156,000	\$2,156,000	\$2,275,699	\$119,699
Permissive Sales Tax	7,732,000	8,578,642	8,366,049	(212,593)
Intergovernmental	1,719,298	1,719,298	1,805,755	86,457
Charges for Services	2,217,860	2,217,860	2,760,412	542,552
Licenses and Permits	61,000	61,000	56,823	(4,177)
Fines and Forfeitures	152,000	152,000	140,296	(11,704)
Interest	150,000	150,000	199,257	49,257
Other	132,068	141,478	121,532	(19,946)
<i>Total Revenues</i>	14,320,226	15,176,278	15,725,823	549,545
Expenditures				
Current:				
General Government:				
Legislative and Executive	4,039,442	4,005,357	3,853,771	151,586
Judicial	2,182,801	2,215,413	2,152,141	63,272
Public Safety	4,426,071	4,447,881	4,409,145	38,736
Public Works	722,342	707,170	671,442	35,728
Health	162,294	162,469	158,317	4,152
Human Services	731,735	731,875	666,922	64,953
Intergovernmental	288,377	238,992	235,750	3,242
<i>Total Expenditures</i>	12,553,062	12,509,157	12,147,488	361,669
<i>Excess of Revenues Over Expenditures</i>	1,767,164	2,667,121	3,578,335	911,214
Other Financing Sources (Uses)				
Advances Out	0	(10,000)	(10,000)	0
Transfers - In	400,000	406,000	411,000	5,000
Transfers - Out	(3,210,154)	(3,582,012)	(3,558,769)	23,243
<i>Total Other Financing Sources (Uses)</i>	(2,810,154)	(3,186,012)	(3,157,769)	28,243
<i>Net Change in Fund Balance</i>	(1,042,990)	(518,891)	420,566	939,457
<i>Fund Balance Beginning of Year</i>	1,134,135	1,134,135	1,134,135	0
Prior Year Encumbrances Appropriated	112,072	112,072	112,072	0
<i>Fund Balance End of Year</i>	\$203,217	\$727,316	\$1,666,773	\$939,457

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Assistance Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$3,047,848	\$3,068,848	\$2,829,425	(\$239,423)
Charges for Services	658,710	658,710	529,736	(128,974)
Other	135,758	135,758	167,754	31,996
<i>Total Revenues</i>	3,842,316	3,863,316	3,526,915	(336,401)
Expenditures				
Current:				
Human Services	3,842,336	3,988,336	3,638,733	349,603
<i>Excess of Revenues Under Expenditures</i>	(20)	(125,020)	(111,818)	13,202
<i>Fund Balance at Beginning of Year</i>	496,700	496,700	496,700	0
<i>Fund Balance at End of Year</i>	<u>\$496,680</u>	<u>\$371,680</u>	<u>\$384,882</u>	<u>\$13,202</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
*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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Taxes	\$140,000	\$140,000	\$155,564	\$15,564
Intergovernmental	4,150,000	4,150,000	4,333,974	183,974
Charges for Services	325,000	325,000	217,133	(107,867)
Interest	1,800	1,800	27,222	25,422
Other	76,500	76,500	90,004	13,504
<i>Total Revenues</i>	4,693,300	4,693,300	4,823,897	130,597
Expenditures				
Current:				
Public Works	10,992,413	10,992,413	7,542,825	3,449,588
<i>Excess of Revenues Under Expenditures</i>	(6,299,113)	(6,299,113)	(2,718,928)	3,580,185
Other Financing Sources				
Transfers In	1,500,000	1,500,000	1,656,471	156,471
Proceeds from Sale of Capital Assets	0	0	45,399	45,399
<i>Total Other Financing Sources</i>	1,500,000	1,500,000	1,701,870	201,870
<i>Net Change in Fund Balance</i>	(4,799,113)	(4,799,113)	(1,017,058)	3,782,055
<i>Fund Balance at Beginning of Year</i>	4,737,512	4,737,512	4,737,512	0
Prior Year Encumbrances Appropriated	61,601	61,601	61,601	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$3,782,055	\$3,782,055

See accompanying notes to the basic financial statement:

Shelby County, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Developmental Disabilities Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$4,203,285	\$4,203,285	\$4,286,442	\$83,157
Intergovernmental	4,009,315	4,009,315	3,998,383	(10,932)
Charges for Services	45,000	45,000	55,375	10,375
Other	427,762	427,762	276,965	(150,797)
<i>Total Revenues</i>	<u>8,685,362</u>	<u>8,685,362</u>	<u>8,617,165</u>	<u>(68,197)</u>
Expenditures				
Current:				
Human Services	9,407,958	8,129,156	7,030,930	1,098,226
<i>Excess of Revenues Over (Under)Expenditures</i>	<u>(722,596)</u>	<u>556,206</u>	<u>1,586,235</u>	<u>1,030,029</u>
Other Financing Uses				
Advances - Out	0	(34,802)	(34,802)	0
Transfers - Out	(100,000)	(4,550,828)	(4,550,828)	0
<i>Total Other Financing Uses</i>	<u>(100,000)</u>	<u>(4,585,630)</u>	<u>(4,585,630)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(822,596)	(4,029,424)	(2,999,395)	1,030,029
<i>Fund Balance at Beginning of Year</i>	9,503,912	9,503,912	9,503,912	0
Prior Year Encumbrances Appropriated	55,443	55,443	55,443	0
<i>Fund Balance at End of Year</i>	<u>\$8,736,759</u>	<u>\$5,529,931</u>	<u>\$6,559,960</u>	<u>\$1,030,029</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2015

	Fair Haven	Sewer	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$548,731	\$130,173	\$678,904
Cash and Cash Equivalents in Segregated Accounts	8,494	0	8,494
Investments in Segregated Accounts	1,330,549	0	1,330,549
Accounts Receivable	778,873	82,268	861,141
Accrued Interest Receivable	1,618	0	1,618
Inventory of Supplies and Materials	5,576	0	5,576
Due from Other Governments	793,624	0	793,624
Prepaid Items	3,102	2,388	5,490
Special Assessments Receivable	0	46,056	46,056
Loan Receivable	0	52,234	52,234
<i>Total Current Assets</i>	<u>3,470,567</u>	<u>313,119</u>	<u>3,783,686</u>
<i>Non-current Assets:</i>			
Loan Receivable - net of current portion	0	601,240	601,240
Non-Depreciable Capital Assets	154,802	578,762	733,564
Depreciable Capital Assets, Net	1,490,164	9,628,300	11,118,464
<i>Total Noncurrent Assets</i>	<u>1,644,966</u>	<u>10,808,302</u>	<u>12,453,268</u>
<i>Total Assets</i>	<u>5,115,533</u>	<u>11,121,421</u>	<u>16,236,954</u>
<i>Deferred Outflow of Resources</i>			
Pension	609,599	40,882	650,481
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	131,449	26,632	158,081
Accrued Wages Payable	134,344	4,107	138,451
Contracts Payable	102,550	8,639	111,189
Retainage Payable	11,394	0	11,394
Due to Other Governments	86,494	13,892	100,386
Accrued Interest Payable	0	7,126	7,126
Compensated Absences Payable	12,738	24	12,762
OPWC Loans Payable	0	5,497	5,497
OWDA Loans Payable	0	59,215	59,215
USDA Loan Payable	0	7,000	7,000
<i>Total Current Liabilities</i>	<u>478,969</u>	<u>132,132</u>	<u>611,101</u>
<i>Long-Term Liabilities:</i>			
Net Pension Liability	3,131,235	173,957	3,305,192
Compensated Absences Payable - net of current portion	286,857	59,438	346,295
OPWC Loans Payable - net of current portion	0	196,338	196,338
OWDA Loans Payable - net of current portion	0	1,859,734	1,859,734
USDA Loan Payable - net of current portion	0	500,000	500,000
<i>Total Long-Term Liabilities</i>	<u>3,418,092</u>	<u>2,789,467</u>	<u>6,207,559</u>
<i>Total Liabilities</i>	<u>3,897,061</u>	<u>2,921,599</u>	<u>6,818,660</u>
<i>Deferred Inflow of Resources</i>			
Pension	55,010	3,056	58,066
Net Position			
Net Investment in Capital Assets	1,644,966	8,347,663	9,992,629
Restricted for Capital Improvements Endowment	1,357,995	0	1,357,995
Unrestricted	(1,229,900)	(110,015)	(1,339,915)
<i>Total Net Position</i>	<u>\$1,773,061</u>	<u>\$8,237,648</u>	<u>\$10,010,709</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2015

	Fair Haven	Sewer	Total
Operating Revenues			
Charges for Services	\$7,016,090	\$876,203	\$7,892,293
Other	41,710	0	41,710
<i>Total Operating Revenues</i>	<u>7,057,800</u>	<u>876,203</u>	<u>7,934,003</u>
Operating Expenses			
Personal Services	4,760,588	336,074	5,096,662
Contractual Services	940,320	439,264	1,379,584
Materials and Supplies	822,926	59,492	882,418
Depreciation	29,805	314,356	344,161
Other	458,046	1,131	459,177
<i>Total Operating Expenses</i>	<u>7,011,685</u>	<u>1,150,317</u>	<u>8,162,002</u>
<i>Operating Income (Loss)</i>	<u>46,115</u>	<u>(274,114)</u>	<u>(227,999)</u>
Non-Operating Revenues (Expenses)			
Interest	11,729	0	11,729
Interest and Fiscal Charges	0	(28,342)	(28,342)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>11,729</u>	<u>(28,342)</u>	<u>(16,613)</u>
<i>Income (Loss) Before Capital Contributions and Transfers</i>	57,844	(302,456)	(244,612)
Capital Contributions	76,738	22,500	99,238
Transfers In	0	85,000	85,000
<i>Change in Net Position</i>	134,582	(194,956)	(60,374)
<i>Net Position Beginning of Year (Restated - Note 3)</i>	<u>1,638,479</u>	<u>8,432,604</u>	<u>10,071,083</u>
<i>Net Position End of Year</i>	<u>\$1,773,061</u>	<u>\$8,237,648</u>	<u>\$10,010,709</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2015

	Fair Haven	Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities			
Cash Received from Customers and Support	\$6,824,095	\$892,129	\$7,716,224
Cash Received from Other Operating Receipts	54,554	1,523	56,077
Cash Payments for Employee Services and Benefits	(4,872,195)	(342,616)	(5,214,811)
Cash Payments to Suppliers	(1,736,629)	(490,437)	(2,227,066)
Cash Payments for Other Operating Expenses	(463,212)	(1,131)	(464,343)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(193,387)</u>	<u>59,468</u>	<u>(133,919)</u>
Cash Flows from Noncapital Financing Activities			
Transfers - In	<u>0</u>	<u>85,000</u>	<u>85,000</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(194,045)	(188,585)	(382,630)
Repayments on Fort Loramie Loan	0	72,655	72,655
Loan Proceeds	0	179,947	179,947
Loan Principal Payments	0	(134,252)	(134,252)
Loan Interest Payments	0	(62,312)	(62,312)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(194,045)</u>	<u>(132,547)</u>	<u>(326,592)</u>
Cash Flows from Investing Activities			
Interest	<u>11,854</u>	<u>0</u>	<u>11,854</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(375,578)	11,921	(363,657)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,263,352</u>	<u>118,252</u>	<u>2,381,604</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,887,774</u>	<u>\$130,173</u>	<u>\$2,017,947</u>

(Continued)

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2015
(Continued)

	Fair Haven	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$46,115	(\$274,114)	(\$227,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	29,805	314,356	344,161
Changes in Assets and Liabilities:			
Pension Expense	403,200	29,447	432,647
Deferral of 2015 Pension Contributions	(442,526)	(31,600)	(474,126)
(Increase) Decrease in Accounts Receivable	231,697	(874)	230,823
Decrease in Inventory of Supplies and Materials	1,443	0	1,443
(Increase) Decrease in Due from Other Governments	(410,848)	1,522	(409,326)
(Increase)Decrease in Prepaid Items	1,227	(1,576)	(349)
Decrease in Special Assessments Receivable	0	16,800	16,800
Increase (Decrease) in Accounts Payable	17,296	(3,857)	13,439
Increase in Contracts Payable	0	8,639	8,639
Decrease in Accrued Wages	(49,654)	(7,723)	(57,377)
Increase (Decrease) in Due to Other Governments	(26,979)	3,406	(23,573)
Decrease in Interfund Payable	0	(40)	(40)
Increase in Compensated Absences Payable	5,837	5,082	10,919
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(\$193,387)</u>	<u>\$59,468</u>	<u>(\$133,919)</u>

Non-Cash Transactions:

During 2015, the Fair Haven Fund and the Sewer Fund received capital assets purchased with governmental funds in the amount of \$76,738 and \$22,500, respectively.

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$40,088	\$2,965,836
Cash and Cash Equivalents in Segregated Accounts	0	940,022
Investments in Segregated Accounts	0	97,742
Receivables:		
Property and Other Taxes	0	40,288,533
Accounts (Net, where applicable, of Uncollectible Accounts)	0	227,588
Special Assessments	0	226,158
Due from Other Governments	0	2,757,994
Revenue in Lieu of Taxes Receivable	0	151,322
<i>Total Assets</i>	<u>40,088</u>	<u>\$47,655,195</u>
Deferred Outflows of Resources:		
Pension	0	242,028
Liabilities		
Current Liabilities		
Due to Other Governments	\$0	\$43,956,426
Undistributed Monies	0	2,492,822
Deposits Held and Due to Others	0	56,315
<i>Total Current Liabilities</i>	<u>0</u>	<u>46,505,563</u>
Noncurrent Liabilities		
Long-Term Liabilities		
Due in More Than One Year - Pension	0	1,391,660
<i>Total Liabilities</i>	<u>0</u>	<u>\$47,897,223</u>
Net Position		
Held in Trust for Pool Participants	<u>\$40,088</u>	

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2015

	Private Purpose Trust
Additions:	
Donations	\$11,994
Deductions:	
Distributions to Participants	5,203
Change in Net Position	6,791
Net Position Beginning of Year	33,297
Net Position End of Year	\$40,088

See accompanying notes to the basic financial statements

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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.

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. The County has no component units.

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

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 22.

NOTE 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.

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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fund Financial Statements

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

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.

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 deferred outflows and liabilities and deferred inflows 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Improvement Tax Fund – This fund is used to account for the .25 percent sales tax revenue that the County has set aside for capital improvements.

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.

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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and liabilities and deferred inflows 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.

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 deferred outflows and current liabilities and deferred inflows 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 deferred outflows and all liabilities and deferred inflows 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.

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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2015, but were levied to finance 2016 operations, have been recorded as deferred inflows of resources.

Deferred inflows of resources related to pension represents the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, which is recognized in pension expense using a straight line method over a five-year period beginning in the current year.

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

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources are decreases in net position that are applicable to future reporting periods.

Deferred outflows related to pension represents the change in the net pension liability that is due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, and changes in the County's proportionate share of the net pension liability. These deferred outflows of resources are recognized in pension expense using a straight line method over a five-year period beginning in the current year. The County's contributions to the pension plan subsequent to the measurement date are also reported as deferred outflows of resources.

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 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 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 2015, 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 \$190,177 was credited to the General Fund during 2015, which includes \$171,918 assigned from other County funds.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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.

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 nonspendable 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".

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

In governmental funds, the County's infrastructure system consists of roads, bridges, culverts and a fiber optic network. In the enterprise funds, infrastructure consists of sewer lines.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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.

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.

Fund Balance

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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).

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015.

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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND ESTIMATE AND RESTATEMENT OF NET POSITION

For 2015, the County implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business-Type Activities		
		Fair Haven	Sewer	Total
Net position December 31, 2014	\$102,961,386	\$4,254,452	\$8,570,887	\$12,825,339
Net Pension Liability	(14,729,526)	(3,060,512)	(170,027)	(3,230,539)
Deferred Outflow - Pension	1,902,025	444,539	31,744	476,283
Deferred Inflow - Pension	(428,738)	0	0	0
Restated Net Position December 31, 2014	<u>\$89,705,147</u>	<u>\$1,638,479</u>	<u>\$8,432,604</u>	<u>\$10,071,083</u>

For 2015, the County also re-evaluated the useful lives of capital assets. This is a change in accounting estimate and does not require a restatement of net position. The remaining book value of existing assets will be depreciated over the new remaining useful lives of the assets.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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.
8. Non-budgeted activity represents receipts and disbursements of 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Public Assistance	Auto License and Gas	Developmental Disabilities
GAAP Basis	\$994,866	\$59,646	(580,164)	\$1,038,601
Adjustments:				
Revenue Accruals	(16,741)	1,280	15,607	93,478
Expenditure Accruals	(307,589)	(119,367)	(131,801)	(356,270)
Encumbrances	(129,505)	(50,413)	(319,116)	(46,035)
Advances	(10,000)	0	0	0
Unrecorded Cash 2014	55,560	0	1,655	0
Unrecorded Cash 2015	(71,134)	25	50	0
Decrease in Fair Value of Investments	29,460	0	0	0
Agency Fund Cash -2014	42,261	0	0	77,025
Agency Fund Cash -2015	(43,647)	0	0	(80,229)
Non-Budgeted Activity	0	0	0	(73,043)
Perspective Differences	(159,037)	1,648	0	(3,655,454)
Prepaid Items	36,072	(4,637)	(3,289)	2,532
Budget Basis	<u>\$420,566</u>	<u>(\$111,818)</u>	<u>(\$1,017,058)</u>	<u>(\$2,999,395)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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, 2015, the carrying amount of the County’s deposits was \$16,259,736 and the bank balance was \$16,688,067.

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, 2015, \$7,716,135 of the government’s bank balance of \$16,688,067 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, 2015, the County had the following investments and maturities:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years
Federal Farm Credit Bank	\$392,708	\$0	\$0	\$392,708
Federal Home Loan Bank	2,791,919	299,934	1,498,485	993,500
Federal Home Loan Mortgage Corporation	5,610,905	2,514,530	2,595,700	500,675
Federal National Mortgage Association	1,902,862	999,125	903,737	0
First American Treasury Obligation	1,032,935	1,032,935	0	0
Total	\$11,731,329	\$4,846,524	\$4,997,922	\$1,886,883

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The County places no limit on the amount it may invest in any one issuer. 48% of the County’s investments at December 31, 2015, were in the Federal Home Loan Mortgage Corporation, 23% were in the Federal Home Loan Bank, 16% were in the Federal National Mortgage Association, and 9% were in the First American Treasury Obligation mutual fund.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. The County’s investments in the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated AAA by Moody’s Investors Service and AA+ by Standard & Poor’s at December 31, 2015. The County’s investment in the First American Treasury Obligation was rated AAAM by Standard and Poor’s at December 31, 2015.

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:

	Primary Government	
	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$26,653,035	\$1,428,291
Cash on Hand	(13,621)	0
Cash with Fiscal Agent	(76,640)	0
Investments:		
Certificates of Deposit	1,172,015	(1,172,015)
Federal Farm Credit Bank	(392,708)	392,708
Federal Home Loan Bank	(2,791,919)	2,791,919
Federal Home Loan Mortgage Corporation	(5,610,905)	5,610,905
Federal National Mortgage Association	(1,902,862)	1,902,862
First American Treasury Obligation Fund	(776,659)	776,659
GASB Statement No. 3	\$16,259,736	\$11,731,329

NOTE 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2014 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 6 - PROPERTY TAXES (Continued)

Public utility property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to each subdivision its portion of the taxes collected. Accrued property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2015, 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 2015 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, 2015 was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$923,130,250	80.31
Other Real Property	187,551,290	16.32
Public Utility Personal Property	38,787,390	3.37
Total Assessed Value	<u>\$1,149,468,930</u>	<u>100.00%</u>

NOTE 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 Auditor then has five days in which to draw the warrant payable to the County.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 7 - PERMISSIVE SALES AND USE TAX (continued)

Proceeds of the permissive sales and use tax were credited to the General Fund and the Permanent Improvement Fund during 2015. The .50 percent was then transferred from the General Fund to the Auto and Gas Fund and the Capital Improvement Tax Fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2015. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2015 amounted to \$8,342,087 in the General Fund, and \$1,698,452 in the non-major funds, for a total of \$10,040,539.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, 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 \$132,239 delinquent special assessments at December 31, 2015.

All receivables are considered collectible in full, except the Juvenile Court and Clerk of Courts fines and court costs and the managed care 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:

	Juvenile/Probate Court Fines	Clerk of Court Fines	Fair Haven Managed Care	Other Receivables	Total Receivables
Receivable	\$1,090,765	\$973,128	\$306,357	\$315,191	\$2,685,441
Allowance for Uncollectible	(988,508)	(154,218)	(17,034)	0	(1,159,760)
Net Accounts Receivable	<u>\$102,257</u>	<u>\$818,910</u>	<u>\$289,323</u>	<u>\$315,191</u>	<u>\$1,525,681</u>

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Gasoline Tax	\$1,106,060
Motor Vehicle License Tax	857,102
Casino Tax	297,694
Local Government	336,649
Homestead and Rollback	254,935
Election Cost Reimbursement	34,002
Public Defender Reimbursement	48,817
ODE Unit Funding/subsidy payments	535,629
ODE Title XX	8,502
ODE Handicapped Preschool Grant	34,802
Developmental Disabilities Waiver	51,924
Miscellaneous Developmental Disabilities Reimbursements	34,151
VOCA and SVAA Grants	198,500
Judiciary Grants	74,798
Drug Prevention Grants	32,496

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 8 - RECEIVABLES (Continued)

Prisoner Housing and Fines	\$199,405
Children's Services Underfunded	56,732
Child Support Enforcement Agency Underfunded	62,983
Miscellaneous Public Assistance Reimbursements	34,952
Miscellaneous Child Support Reimbursements	16,910
Miscellaneous Reimbursements	25,049
Total Governmental Activities	4,649,636
Medicare Reimbursement	257,759
Medicaid Reimbursement	530,019
Area Agency on Aging Daycare/Transportation/Meals	5,846
Total Business-Type Activities	793,624
<u>Agency Funds</u>	
Local Government Assistance	762,136
Library Assistance	751,300
Gasoline Tax	575,887
Motor Vehicle License Tax	254,923
Homestead and Rollback	44,322
WIC Administration	188,773
Public Health Emergency Preparedness Grant	45,534
Help Me Grow Grant	82,349
Well Child Grant	25,171
Ohio Children's Trust Fund	9,008
Family Centered Services Support	18,591
Total Agency Funds	2,757,994
Total All Funds	\$8,048,360

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, 2015, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$697,859, which includes \$606,229 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, 2015, the total amount of loans receivable in the Sewer Fund was \$653,474, which includes \$601,240 that is expected to be collected in more than one year.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$2,419,034	\$0	\$0	\$2,419,034
Depreciable Capital Assets:				
Buildings	31,487,696	3,794,857	0	35,282,553
Equipment	2,144,162	314,146	(13,991)	2,444,317
Furniture and Fixtures	247,917	0	0	247,917
Vehicles	7,506,822	851,100	(375,526)	7,982,396
Infrastructure	165,338,914	2,349,901	(665,395)	167,023,420
Total Depreciable Capital Assets	<u>206,725,511</u>	<u>7,310,004</u>	<u>(1,054,912)</u>	<u>212,980,603</u>
Less Accumulated Depreciation:				
Buildings	(13,953,385)	(225,570)	0	(14,178,955)
Equipment	(1,120,580)	(159,718)	13,408	(1,266,890)
Furniture and Fixtures	(194,229)	(10,330)	0	(204,559)
Vehicles	(5,537,513)	(205,195)	375,526	(5,367,182)
Infrastructure	(113,238,999)	(5,577,973)	641,494	(118,175,478)
Total Accumulated Depreciation	<u>(134,044,706)</u>	<u>(6,178,786)</u>	<u>1,030,428</u>	<u>(139,193,064)</u>
Depreciable Capital Assets, Net	<u>72,680,805</u>	<u>1,131,218</u>	<u>(24,484)</u>	<u>73,787,539</u>
Governmental Activities Capital Assets, Net	<u>\$75,099,839</u>	<u>\$1,131,218</u>	<u>(\$24,484)</u>	<u>\$76,206,573</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$407,208	\$0	\$0	\$407,208
Construction in Progress	0	326,356	0	326,356
Total Capital Assets Not Being Depreciated	<u>407,208</u>	<u>326,356</u>	<u>0</u>	<u>733,564</u>
Depreciable Capital Assets:				
Buildings	3,014,629	22,500	0	3,037,129
Equipment	158,693	209,456	(44,915)	323,234
Furniture and Fixtures	18,000	0	(18,000)	0
Vehicles	255,149	0	(28,215)	226,934
Infrastructure	13,961,691	37,500	0	13,999,191
Total Depreciable Capital Assets	<u>17,408,162</u>	<u>269,456</u>	<u>(91,130)</u>	<u>17,586,488</u>
Total Capital Assets At Historical Cost	<u>17,815,370</u>	<u>595,812</u>	<u>(91,130)</u>	<u>18,320,052</u>
Less Accumulated Depreciation:				
Buildings	(1,602,335)	(17,349)	0	(1,619,684)
Equipment	(137,719)	(5,965)	44,915	(98,769)
Furniture and Fixtures	(18,000)	0	18,000	0
Vehicles	(172,292)	(6,652)	28,215	(150,729)
Infrastructure	(4,284,647)	(314,195)	0	(4,598,842)
Total Accumulated Depreciation	<u>(6,214,993)</u>	<u>(344,161)</u>	<u>91,130</u>	<u>(6,468,024)</u>
Depreciable Capital Assets, Net	<u>11,193,169</u>	<u>(74,705)</u>	<u>0</u>	<u>11,118,464</u>
Business-Type Activities Capital Assets, Net	<u>\$11,600,377</u>	<u>\$251,651</u>	<u>\$0</u>	<u>\$11,852,028</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 9 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$36,252
General Government - Judicial	74,676
Public Safety	171,406
Public Works	5,769,740
Health	1,917
Human Services	124,036
Economic Development and Assistance	759
Total Depreciation Expense	<u>\$6,178,786</u>

NOTE 10 - RISK MANAGEMENT

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 2015, 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	\$3,000,000
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	1,000,000
Depositors Forgery	1,000,000
Money and Securities	150,000
Cyber Liability and Privacy	2,000,000
Excess Liability	4,000,000
Excess Healthcare Professional Liability	3,000,000
Excess Crime Liability	500,000
Pollution Liability	1,000,000
Property – replacement value	94,109,000
Flood– separate pool aggregates	50,000,000
Earthquake – separate pool aggregates	100,000,000
Boiler and Machinery	100,000,000

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 10 - RISK MANAGEMENT (Continued)

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

Health Care Benefits

The County participates in the Midwest Employee Benefit Consortium (MEBC), a risk-sharing pool consisting of five counties (See Note 22). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

January 7, 2013 or five years after January 7, 2013	January 7, 2013 or eligible to retire ten years after January 7, 2013	and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Law Enforcement
2015 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
 2015 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0
 Total Employer	 14.0 %	 18.1 %
 Employee	 10.0 %	 13.0 %

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$2,464,989 for 2015. Of this amount, \$197,743 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

County BODD licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The County’s contractually required contribution to STRS was \$156,610 for 2015, which was entirely paid during 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. STRS’s total pension liability was measured as of June 30, 2015, and was determined an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$17,395,750	\$2,730,283	\$20,126,033
Proportion of the Net Pension Liability	0.144230%	0.0098791%	
Pension Expense	\$2,245,430	\$71,580	\$2,317,010

At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$928,185	\$0	\$928,185
Differences between expected and actual experience	0	123,848	\$123,848
Change in proportionate share of the net pension liability	0	68,368	68,368
County contributions subsequent to the measurement date	<u>2,464,989</u>	<u>82,168</u>	<u>2,547,157</u>
Total Deferred Outflows of Resources	<u><u>\$3,393,174</u></u>	<u><u>\$274,384</u></u>	<u><u>\$3,667,558</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$305,609	\$0	\$305,609
Net difference between projected and actual earnings on pension plan investments	<u>0</u>	<u>184,500</u>	<u>184,500</u>
	<u><u>\$305,609</u></u>	<u><u>\$184,500</u></u>	<u><u>\$490,109</u></u>

\$2,547,157 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Year Ending December 31:			
2016	\$155,654	(\$15,163)	\$140,491
2017	155,654	(15,163)	140,491
2018	155,654	(15,163)	140,491
2019	<u>155,654</u>	<u>(15,163)</u>	<u>140,491</u>
Total	<u><u>\$622,616</u></u>	<u><u>(\$60,652)</u></u>	<u><u>\$561,964</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability	\$32,003,195	\$17,395,750	\$5,092,761

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$3,792,569	\$2,730,283	\$1,831,962

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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 determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2015, the employer contribution allocated to the health care plan for members in the traditional plan and the combined plan was 2.00 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, 2015, 2014, and 2013 was \$343,766, \$363,178, and \$136,784, respectively; 92 percent has been contributed for 2015 and 100 percent for 2014 and 2013.

B. State Teachers Retirement System of Ohio

Plan Description – The County participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The County's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$10,447, and \$10,152, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 – OTHER EMPLOYEE BENEFITS

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.

Compensated Absences

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

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

NOTE 14 - CAPITAL LEASES

During 2015 and 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. The new leases have been recorded as "Other Financing Sources – Inception of Capital Lease" in the basic financial statements for the governmental funds.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 14 - CAPITAL LEASES (Continued)

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 2015 totaled \$12,274 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 \$96,828, 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, 2015, was \$50,777 and the carrying value was \$46,051.

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, 2015.

Fiscal Year Ending December 31,	Governmental Activities Amounts
2016	\$18,122
2017	15,090
2018	8,618
2019	7,905
2020	6,849
Total	56,584
Less: Amount Representing Interest	(8,036)
Present Value of Net Minimum Lease Payments	\$48,548

NOTE 15 - LONG-TERM DEBT OBLIGATIONS

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

	Balance at 12/31/14	Increases	Decreases	Balance at 12/31/15	Due Within One Year
<u>General Obligation Bonds Payable:</u>					
2010 Millcreek Storm Sewer Bonds – 3.27%	\$58,547	\$0	\$58,547	\$0	\$0
Net Pension Liability	14,729,526	699,655	0	15,429,181	0
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	1,771,656	948,972	942,168	1,778,460	90,608
Obligations Under Capital Lease	37,453	21,279	12,274	46,458	15,292
Total Other Long-Term Obligations	1,809,109	970,251	954,442	1,824,918	105,900
Total Governmental Activities	\$16,597,182	\$1,669,906	\$1,012,989	\$17,254,099	\$105,900

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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 carried an interest rate of 3.27 % and reached 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 Auto License and Gas Fund.

Changes in the long-term obligations reported in the enterprise funds during 2015 were as follows:

	Balance at 12/31/14	Increases	Decreases	Balance at 12/31/15	Due Within One Year
Net Pension Liability	\$3,230,539	\$74,653	\$0	\$3,305,192	\$0
<u>Other Long-Term Liabilities:</u>					
<u>Loans Payable:</u>					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	1,072,199	0	72,241	999,958	37,140
2006 McCartyville Sewer OWDA Loan - 0.00%	418,286	0	32,176	386,110	16,088
2009 Millcreek Sewer OWDA Loan - 1.50%	364,774	0	11,840	352,934	5,987
1998 Arrowhead Hills Sewer OPWC Loan - 0.00%	15,000	0	3,750	11,250	1,875
2010 Millcreek Sewer OPWC Loan - 0.00%	129,927	0	4,903	125,024	2,451
2011 Kettlersville Sewer USDA Loan - 3.50%	514,000	0	7,000	507,000	7,000
2014 Arrowhead Hills Sewer OPWC Loan - 0.00%	67,903	0	2,342	65,561	1,171
2015 Newport Sewer OWDA Loan - 0.00%	0	179,947	0	179,947	0
Total Loans	<u>2,582,089</u>	<u>179,947</u>	<u>134,252</u>	<u>2,627,784</u>	<u>71,712</u>
Compensated Absences Payable	346,459	201,417	188,819	359,057	12,762
Total Other Long-Term Liabilities	<u>2,928,548</u>	<u>381,364</u>	<u>323,071</u>	<u>2,986,841</u>	<u>84,474</u>
Total Business Type Activities	<u>\$6,159,087</u>	<u>\$456,017</u>	<u>\$323,071</u>	<u>\$6,292,033</u>	<u>\$84,474</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 Kettlersville 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 2014 Arrowhead Hills OPWC loan is a thirty year loan that was issued in the amount of \$70,245 for the purpose of making improvements to the Arrowhead Hills Water System. The 2015 Newport Sewer OWDA loan is a five year loan for the purpose of financing the design phase of the Newport Sewer improvements. It has not been fully disbursed yet and payments will not begin until 2017. An amortization schedule will be added when it is fully disbursed.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2015, are an overall debt margin of \$24,740,723 and an unvoted debt margin of \$8,998,689.

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

Year	Business-Type Activities					
	Ft. Loramie Sewer OWDA		McCartsville Sewer OWDA		Millcreek Sewer OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$37,140	\$18,749	\$16,088	\$0	\$5,987	\$5,339
2017	76,381	35,396	32,176	0	12,109	5,159
2018	79,272	32,505	32,176	0	12,291	4,976
2019	82,273	29,504	32,176	0	12,476	4,792
2020	85,387	26,390	32,176	0	12,664	4,604
2021-2025	477,935	80,955	160,880	0	66,238	20,101
2026-2030	161,570	6,096	80,438	0	71,376	14,961
2031-2035	0	0	0	0	76,913	9,424
2036-2041	0	0	0	0	82,880	3,458
Totals	\$999,958	\$229,595	\$386,110	\$0	\$352,934	\$72,814

Year	Arrowhead Hills OPWC		Millcreek Sewer OPWC		Kettlersville Sewer USDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$3,750	\$0	\$2,451	\$0	\$7,000	\$17,111
2017	3,750	0	4,903	0	7,000	16,785
2018	3,750	0	4,903	0	8,000	16,639
2019	0	0	4,903	0	8,000	16,369
2020	0	0	4,903	0	8,000	16,099
2021-2025	0	0	24,515	0	47,000	76,073
2026-2030	0	0	24,515	0	55,000	69,424
2031-2035	0	0	24,514	0	65,000	57,679
2036-2040	0	0	24,514	0	77,000	46,000
2041-2045	0	0	4,903	0	92,000	31,996
2046-2050	0	0	0	0	109,000	29,637
2051	0	0	0	0	24,000	810
Totals	\$11,250	\$0	\$125,024	\$0	\$507,000	\$394,622

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

Year	Arrowhead Hills OPWC	
	Principal	Interest
2015	\$1,171	\$0
2016	2,341	
2017	2,341	
2018	2,341	
2019	2,341	
2020-2024	11,705	
2025-2029	11,705	
2030-2034	11,709	
2035-2039	11,710	
2040-2044	8,197	
Totals	<u>\$65,561</u>	<u>\$0</u>

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 1996 and 1997. The principal amount outstanding on the bonds at December 31, 2015, was \$265,883 and \$234,638, 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, 2015. 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.

NOTE 16 - INTERFUND TRANSACTIONS

Manuscript Debt

On July 17, 2014, the County issued \$3,120,000 of general obligation bonds to itself in order to fund courthouse renovations. The bonds carry a 1.25% interest rate and reach final maturity on July 17, 2019. The bonds were purchased from the Auto and Gas and Permanent Improvement Funds. The following table summarizes the principal and interest payments required from the Capital Improvement Tax Fund to the Auto and Gas and Permanent Improvement Funds to retire the debt:

Year	2014 Courthouse Renovations	
	Principal	Interest
2016	\$624,000	\$31,200
2017	624,000	23,400
2018	624,000	15,600
2019	624,000	7,800
Totals	<u>\$2,496,000</u>	<u>\$78,000</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 16 - INTERFUND TRANSACTIONS (Continued)

An interfund payable of \$2,496,000 has been recorded in the Capital Improvement Tax Fund, and interfund receivables of \$1,597,440 and \$898,560 have been recorded in the Auto and Gas and Permanent Improvement Funds, respectively.

Other interfund balances at December 31, 2015, result 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. The following table summarizes the interfund receivables and payables at December 31, 2015:

Interfund Payable	Interfund Receivable				Total
	General Fund	Public Assistance Fund	Auto License and Gas Fund	Nonmajor Governmental Funds	
General Fund	\$0	\$0	\$5,563	\$56,000	\$61,563
Auto and Gas Fund	3,405	0	0	0	3,405
Developmental Disabilities Fund	0	0	1,908	0	1,908
Capital Improvement Tax Nonmajor Governmental Funds	0	0	1,597,440	898,560	2,496,000
	15,875	102,174	100	27,802	145,951
Total	<u>\$19,280</u>	<u>\$102,174</u>	<u>\$1,605,011</u>	<u>\$982,362</u>	<u>\$2,708,827</u>

\$1,198,080 of the Auto License and Gas Fund interfund receivable is not expected to be paid within a year, and \$720,920 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.

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 and the Capital Improvement Tax Fund of \$1,656,471 and \$1,660,971, respectively. The General Fund had transfers out to non-major governmental funds of \$236,827 to subsidize other funds. The General Fund had transfers in of \$400,000 and the Sewer Fund had transfers in of \$85,000 from the nonmajor funds to help cover costs for 2015. The General Fund also had transfers in of \$5,000 from the nonmajor funds for reimbursements.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 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, 2015 were as follows:

Fund Balance	General	Public Assistance	Auto License and Gas Tax	Developmental Disabilities
Non-Spendable				
Inventory	\$56,652	\$1,624	\$319,976	\$0
Prepaid Items	87,939	32,756	22,363	16,668
Unclaimed Monies	70,723			
Long-Term Advances			1,198,080	
Long-Term Notes Receivable				
Total Non-Spendable	<u>215,314</u>	<u>34,380</u>	<u>1,540,419</u>	<u>16,668</u>
Restricted for:				
Roads, Bridges, and Culverts			3,487,463	
Ditch Maintenance				
Public Assistance		442,583		
Developmental Disabilities				10,908,561
Dog and Kennel				
Statewide Glass Initiative Grant				
Real Estate Assessment and Collection				
Judiciary Operations and Special Projects				
Public Safety				
Child Support Enforcement				
Community Development				
Debt Service				
Capital Improvements				
Total Restricted	<u>0</u>	<u>442,583</u>	<u>3,487,463</u>	<u>10,908,561</u>
Committed to:				
Sheriff Commissary				
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:				
Unpaid Obligations	140,279			
Recycling Center	59,928			
Court Appointed Special Advocates Program	30,143			
Crimestoppers Rewards	11,841			
Total Assigned	<u>242,191</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned	<u>3,712,922</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$4,170,427</u>	<u>\$476,963</u>	<u>\$5,027,882</u>	<u>\$10,925,229</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 17 – FUND BALANCE (Continued)

Fund Balance	Capital Improvement Tax	Other Governmental Funds	Total
Non-Spendable			
Inventory			\$378,252
Prepaid Items		\$50,103	209,829
Unclaimed Monies			70,723
Long-Term Advances		720,920	1,919,000
Long-Term Notes Receivable		606,229	606,229
Total Non-Spendable	<u>0</u>	<u>1,377,252</u>	<u>3,184,033</u>
Restricted for:			
Roads, Bridges, and Culverts		105,050	3,592,513
Ditch Maintenance		539,548	539,548
Public Assistance			442,583
Developmental Disabilities			10,908,561
Dog and Kennel		26,799	26,799
Statewide Glass Initiative Grant		5,800	5,800
Real Estate Assessment and Collection		756,530	756,530
Judiciary Operations and Special Projects		793,441	793,441
Public Safety		388,434	388,434
Child Support Enforcement		190,102	190,102
Community Development		189,950	189,950
Capital Improvements	0	2,115,090	2,115,090
Total Restricted	<u>0</u>	<u>5,110,744</u>	<u>19,949,351</u>
Committed to:			
Sheriff Commissary		138,808	138,808
Total Committed	<u>0</u>	<u>138,808</u>	<u>138,808</u>
Assigned for:			
Unpaid Obligations			140,279
Recycling Center			59,928
Court Appointed Special Advocates Program			30,143
Crimestoppers Rewards			11,841
Total Assigned	<u>0</u>	<u>0</u>	<u>242,191</u>
Unassigned	<u>(\$1,779,321)</u>	<u>0</u>	<u>1,933,601</u>
Total Fund Balance	<u>(\$1,779,321)</u>	<u>\$6,626,804</u>	<u>\$25,447,984</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 18- SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2015, 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 12/31/15</u>
Burgess and Niple	Fair Road bridge	\$363,000	\$79,860	\$283,140
Lochard Incorporated	Courthouse fountains	22,800	5,616	17,184
Slagle Mechanical	Jail water controls	227,700	0	227,700
Choice One Engineering	Design for Newport sewer	277,250	179,947	97,303
D&S Construction	New roof on barn	121,460	0	121,460

NOTE 19 - JOINT VENTURES

A. Shelby County Office of Homeland Security

The Shelby County Office of Homeland Security Agency is a joint venture among Shelby County, the City of Sidney, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; five chief executives representing the municipal corporations and townships entering into the agreement; and one non-elected representative. During 2015, the County contributed \$60,000 (37 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 2015, the County did not contribute financially 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

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

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2015, a tax levy provided \$527,318 (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 2015, the County had Board allocated payments to WestCON of \$341,467.

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 2015, Shelby County made no payments to the District for solid waste fees. Allen County serves as fiscal agent for the District. Complete financial statements can be obtained from the District, Allen County, Ohio.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 21 - 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 2015, the County did not have any financial contributions to the operation of the SMHA.

NOTE 22 – RISK SHARING POOLS

Mid West Pool Risk Management Agency, Inc.

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

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

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 23 - RELATED PARTY TRANSACTIONS

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

As of December 31, 2015, RSSI managed nine properties on behalf of Shelby County Board of Developmental Disabilities. There are no outstanding mortgages on any of these properties.

NOTE 24 - CONTINGENCIES

A. Litigation

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

B. Grants

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

Shelby County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	.00987906%	.00952765%
County's proportionate share of the net pension liability	\$2,730,283	\$2,317,454
County's covered-employee payroll	\$1,030,714	\$980,507
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	265%	236%
Plan fiduciary net position as a percentage of the total pension liability	72.1%	74.7%

(1) Information prior to 2014 is not available

Shelby County, Ohio
 Required Supplementary Information
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Two Years (1)

	<u>2014</u>	<u>2013</u>
County's proportion of the net pension liability	.14423%	.14423%
County's proportionate share of the net pension liability	\$17,395,750	\$17,002,838
County's covered-employee payroll	\$18,537,315	\$18,249,944
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	94%	93%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

(1) Information prior to 2013 is not available

Amounts presented as of the County's measurement date, which is the prior fiscal year end.

Shelby County, Ohio
 Required Supplementary Information
 Schedule of the County Contributions
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2015	2014
Contractually required contribution	\$144,300	\$137,271
Contributions in relation to the contractually required contributions	\$144,300	\$137,271
Contribution deficiency/excess	\$0	\$0
County's covered-employee payroll	\$1,030,714	\$980,507
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

(1) Information prior to 2014 is not available.

Shelby County, Ohio
 Required Supplementary Information
 Schedule of the County Contributions
 Ohio Public Employees Retirement System - Traditional Plan
 Last Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$2,464,989	\$2,476,198	\$2,444,584
Contributions in relation to the contractually required contributions	<u>\$2,464,989</u>	<u>\$2,476,198</u>	<u>\$2,444,584</u>
Contribution deficiency/excess	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County's covered-employee payroll	\$18,959,634	\$18,537,315	\$18,249,944
Contributions as a percentage of covered-employee payroll	13.00%	13.36%	13.40%

(1) Information prior to 2013 is not available.

SHELBY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Job and Family Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1415-11-5426 / G-1617-11-5579		\$291,981
Total U.S. Department of Agriculture				291,981
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	B-C-13-1CR-1 B-F-13-1CR-1 B-F-14-1CR-1		89,444 2,800 75,000
Total Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii				167,244
Home Investment Partnerships Program	14.239	B-C-13-1CR-2		72,793
Total U.S. Department of Housing and Urban Development				240,037
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Department of Youth Services</i>				
Juvenile Accountability Block Grants	16.523	2012-JB-015-B072		4,770
<i>Passed Through Ohio Department of Public Safety</i>				
Crime Victim Assistance	16.575	2016-VOCA-19811698 2014VAGENE421 2015-VOCA-10214868 2015-VOCA-10204421 2015-VOCA-12387121 2015-VOCA-12355760 2015-VOCA-19811624		41,853 3,339 35,832 9,093 588 676 13,310
Total Crime Victim Assistance				104,691
Total U.S. Department of Justice				109,461
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Job and Family Services</i> <i>(Passed Through Area 7 Workforce Investment Board)</i>				
Workforce Investment Act Cluster				
Workforce Investment Act-Adult Program	17.258	2014-7375-1 / 2015-7375-1		49,929
Workforce Investment Act-Adult Program Administrative	17.258	2014-7375-1 / 2015-7375-1		1,225
Workforce Investment Act-Adult Program Total				51,154
Workforce Investment Act-Youth Activities	17.259	2014-7375-1 / 2015-7375-1	\$45,369	55,592
Workforce Investment Act-Youth Activities Administrative	17.259	2014-7375-1 / 2015-7375-1		1,243
Workforce Investment Act-Youth Total			45,369	56,835
Workforce Investment Act-Dislocated Worker Formula Grants	17.278	2014-7375-1 / 2015-7375-1		55,203
Workforce Investment Act-Dislocated Worker Formula Grants - Administrative	17.278	2014-7375-1 / 2015-7375-1		1,303
Workforce Investment Act-Dislocated Worker Formula Grants Total				56,506
Total Workforce Investment Act Cluster				164,495
Total U.S. Department of Labor			45,369	164,495
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Preschool Grants	84.173	071159-PG-SI-15P 071159-PG-SI-16P		21,712 27,478
Total Special Education Preschool Grants				49,190

SHELBY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<i>Passed Through Ohio Department of Health</i>				
Special Education-Grants for Infants and Families	84.181	07510021HG0615		33,183
Total U.S. Department of Education				<u>82,373</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Health and Addiction Services</i>				
Promoting Safe and Stable Families	93.556	5AU-15		15,179
<i>Passed Through Ohio Department of Job and Family Services</i>				
Promoting Safe and Stable Families	93.556	G-1415-11-5426		67,001
Total Promoting Safe and Stable Families				<u>82,180</u>
Child Support Enforcement	93.563	G-1415-11-5426 / G-1617-11-5579		484,083
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5426		44,882
Temporary Assistance for Needy Families	93.558	G-1415-11-5426 / G-1617-11-5579	135,220	986,407
Foster Care_Title IV-E	93.658	G-1415-11-5426		60,095
Medical Assistance Program	93.778	G-1415-11-5426 / G-1617-11-5579		519,031
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Medical Assistance Program	93.778	CY2015 MAC		3,952
Medical Assistance Program		CY2014 MAC		3,670
Total Medical Assistance Program				<u>526,653</u>
<i>Passed Through Ohio Department of Job and Family Services</i>				
Adoption Assistance	93.659	G-1415-11-5426 / G-1617-11-5579		138,631
Social Services Block Grant	93.667	G-1415-11-5426 / G-1617-11-5579		451,714
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Social Services Block Grant	93.667	CY2015 TXX		34,300
Total Social Services Block Grant				<u>486,014</u>
<i>Passed Through Ohio Department of Job and Family Services</i>				
Child Care and Development Block Grant	93.575	G-1415-11-5426 / G-1617-11-5579		60,830
<i>Passed Through Ohio Supreme Court</i>				
State Court Improvement Program	93.586	14010HSCID		25,888
<i>Passed Through Ohio Department of Aging</i>				
<i>Passed Through Area Agency on Aging</i>				
<i>Aging Cluster</i>				
Special Programs for the Aging_Title III, Part B_				
Grants for Supportive Services and Senior Centers	93.044			32,737
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045			64,422
Nutrition Services Incentive Program	93.053			11,833
Total Aging Cluster				<u>108,992</u>
Total U.S. Department of Health and Human Services			<u>135,220</u>	<u>3,004,655</u>
Total Expenditures of Federal Awards				<u><u>\$3,893,002</u></u>

The accompanying notes are an integral part of this schedule.

SHELBY COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Shelby County (the County) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services and Area 7 Workforce Investment Board to other governments or not-for-profit agencies (subrecipients). As Note B describes, 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 subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D – HOME INVESTMENT PARTNERSHIPS PROGRAM (HIPP) REVOLVING LOAN PROGRAM

The County has established a revolving loan 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 Development Services Agency. 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.

NOTE E - 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 F - COMMINGLING

Federal Funds received from Workforce Investment Act Cluster, Medical Assistance Program, Aging Cluster, and Crime Victim Assistance were commingled with state subsidy and local revenues. It was assumed that federal dollars were expended first for purposes of reporting expenditures on the schedule.

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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, each major fund, and the aggregate remaining fund information of Shelby County, (the County) as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 21, 2016, wherein we noted the County adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2016



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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect each of Shelby County's major federal programs for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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 affects each of its major federal programs for the year ended December 31, 2015.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2016

SHELBY COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families – CFDA #93.558 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CFDA #10.561 Medical Assistance Program – CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SHELBY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)

DECEMBER 31, 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	2 CFR 215.34(f) – The County purchased a capital asset with CDBG federal funds, but failed to appropriately track the capital asset in accordance with the County's requirements and federal requirements.	Corrective Action Taken and finding is fully corrected.	



Dave Yost • Auditor of State

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 6, 2016**