



Dave Yost • Auditor of State



**SHELBY COUNTY  
DECEMBER 31, 2016**

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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, 2016, 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, 2016, 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.

### **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 October 31, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

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

October 31, 2017

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**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

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**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, 2016.

**FINANCIAL HIGHLIGHTS**

The County's total net position decreased by \$99,587 during 2016. Net position of governmental activities increased by \$357,005 (less than one percent). Net position of business-type activities decreased by \$456,592 (less than five percent).

The General Fund transfers out equaled \$3,692,351. Of these transfers, \$3,386,870 were transfers of sales tax receipts to the Auto and Gas and Capital Improvements Funds, and the remaining \$305,481 were transfers to subsidize various programs of the non-major governmental funds.

Business-type operations showed total operating revenue of \$8,022,348 and total operating expenses of \$8,569,690 for an operating loss of \$547,342. Total business-type unrestricted net position was (\$1,865,858). This total includes (\$1,617,260) for the Fair Haven Fund and (\$248,598) for the Sewer Fund.

Capital assets, net of accumulated depreciation, decreased \$3,666,377 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**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

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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 12. 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 2016 compared to 2015.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015 (Restated)	2016	2015	2016	2015 (Restated)
<b>Assets</b>						
Current and Other Assets	\$42,120,619	\$37,167,887	\$3,951,932	\$4,384,926	\$46,072,551	\$41,552,813
Capital Assets	72,649,491	76,315,868	12,433,118	11,852,028	85,082,609	88,167,896
Total Assets	114,770,110	113,483,755	16,385,050	16,236,954	131,155,160	129,720,709
<b>Deferred Outflows</b>						
Pension	8,096,102	2,887,656	1,425,904	650,481	9,522,006	3,538,137
<b>Liabilities</b>						
Current Liabilities	1,124,810	1,148,343	371,070	526,627	1,495,880	1,674,970
Long-Term Liabilities:						
Due within One Year	95,599	105,900	121,938	84,474	217,537	190,374
Due in More Than One Year						
Pension Liability	21,564,348	15,429,181	4,668,931	3,305,192	26,233,279	18,734,373
Other Liabilities	1,842,100	1,719,018	3,004,173	2,902,367	4,846,273	4,621,385
Total Liabilities	24,626,857	18,402,442	8,166,112	6,818,660	32,792,969	25,221,102
<b>Deferred Inflows</b>						
Property Taxes	6,662,337	6,552,882	0	0	6,662,337	6,552,882
Pension	348,574	544,648	90,725	58,066	439,299	602,714
Total Deferred Inflows	7,010,911	7,097,530	90,725	58,066	7,101,636	7,155,596
<b>Net Position</b>						
Net Investment in Capital Assets	72,604,798	76,264,531	10,552,212	9,992,629	83,157,010	86,257,160
Restricted for:						
Other Purposes	21,291,676	19,672,205	0	0	21,291,676	19,672,205
Capital Outlay	4,073,511	1,056,692	867,763	1,357,995	4,941,274	2,414,687
Unrestricted	(6,741,541)	(6,121,989)	(1,865,858)	(1,339,915)	(8,607,399)	(7,461,904)
Total Net Position	\$91,228,444	\$90,871,439	\$9,554,117	\$10,010,709	\$100,782,561	\$100,882,148

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**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

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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.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

The increase in the current assets of the governmental activities was mostly due to an increase in cash balances of the Auto License and Gas Fund, the Developmental Disabilities Fund, the Capital Improvement Tax Fund, and the Permanent Improvement Fund which is an other governmental fund. The decrease in capital assets was due to depreciation on the infrastructure assets being higher than capital outlays. This was also the reason for the increase in Net Position Restricted for Capital Outlay and Other Purposes.

Total net position decreased by \$99,587. Net position of the County's governmental activities increased by \$357,005, with unrestricted net position decreasing \$619,552. The net position of the County's business-type activities decreased by \$456,592.

Table 2 shows the changes in net position for the year ended December 31, 2016, as compared with the year ended December 31, 2015.

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$8,660,300	\$7,472,996	\$7,996,535	\$7,905,362	\$16,656,835	\$15,378,358
Operating Grants, Contributions and Interest	11,565,958	12,453,646	0	0	11,565,958	12,453,646
Capital Grants and Contributions	185,867	160,370	0	99,238	185,867	259,608
Total Program Revenues	<u>20,412,125</u>	<u>20,087,012</u>	<u>7,996,535</u>	<u>8,004,600</u>	<u>28,408,660</u>	<u>28,091,612</u>
General Revenues:						
Property and Other Taxes	6,695,915	6,703,622	0	0	6,695,915	6,703,622
Permissive Sales Tax	10,277,923	10,040,539	0	0	10,277,923	10,040,539
Grants and Entitlements	3,630,447	3,235,348	0	0	3,630,447	3,235,348
Interest	200,975	219,371	11,719	11,726	212,694	231,097
Other	146,189	73,148	25,813	28,642	172,002	101,790
Total General Revenues	<u>20,951,449</u>	<u>20,272,028</u>	<u>37,532</u>	<u>40,368</u>	<u>20,988,981</u>	<u>20,312,396</u>
Total Revenues	<u>41,363,574</u>	<u>40,359,040</u>	<u>8,034,067</u>	<u>8,044,968</u>	<u>49,397,641</u>	<u>48,404,008</u>
Program Expenses						
Legislative and Executive	5,209,508	5,239,695	0	0	5,209,508	5,239,695
Judicial	3,002,175	2,694,333	0	0	3,002,175	2,694,333
Public Safety	6,535,351	5,538,684	0	0	6,535,351	5,538,684
Public Works	11,374,061	11,080,220	0	0	11,374,061	11,080,220
Health	369,944	348,017	0	0	369,944	348,017
Human Services	13,924,701	13,861,154	0	0	13,924,701	13,861,154
Conservation and Recreation	0	0	0	0	0	0

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
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Table 2  
Changes in Net Position (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Economic Development and Assistance	212,460	325,068	0	0	212,460	325,068
Intergovernmental	228,882	235,750	0	0	228,882	235,750
Interest and Fiscal Charges	34,641	40,315	0	0	34,641	40,315
Fair Haven	0	0	7,443,876	7,011,685	7,443,876	7,011,685
Sewer	0	0	1,161,629	1,178,659	1,161,629	1,178,659
Total Expenses	<u>40,891,723</u>	<u>39,363,236</u>	<u>8,605,505</u>	<u>8,190,344</u>	<u>49,497,228</u>	<u>47,553,580</u>
Increase(Decrease) in Net Position Before Transfers	471,851	995,804	(571,438)	(145,376)	(99,587)	850,428
Transfers	<u>(114,846)</u>	<u>(85,000)</u>	<u>114,846</u>	<u>85,000</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	<u>\$357,005</u>	<u>\$910,804</u>	<u>(\$456,592)</u>	<u>(\$60,376)</u>	<u>(\$99,587)</u>	<u>\$850,428</u>

***Governmental Activities***

Operating grants, capital grants, and unrestricted grants and entitlements is the largest source of revenue for Shelby County, comprising approximately 37% of total revenues of governmental activities for 2016. Program specific grants and entitlements made up 28% of this and unrestricted grants and entitlements made up 9%. 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.

The County's direct charges to users of governmental services made up around 21% of total governmental revenues for 2016. These charges are for fees for real estate transfers, fees associated with the collection of property taxes, sheriff fees, fines and forfeitures related to judicial activity, licenses and permits, rent and other miscellaneous charges.

Property and other taxes made up about 16% of total revenues for 2016.

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

Human services programs accounted for approximately 34% of total expenses for governmental activities. Public works expenditures, which include depreciation taken on the infrastructure assets of \$5,615,610 less additions to the infrastructure assets of \$1,435,995, 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 16%, 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 2.7 million for capital assets during 2016. These assets included the purchase of safety and road maintenance equipment and vehicles, bridge replacements and road resurfacing, and courthouse renovations.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
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***Business-Type Activities***

Charges for services were the largest revenue source, accounting for over 99% of total business-type activities revenues. Interest and miscellaneous revenue accounted for less than one percent of revenues in 2016.

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 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	Table 3			
	2016		2015	
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
Current:				
General Government:				
Legislative and Executive	\$5,209,508	\$2,055,921	\$5,239,695	\$2,216,119
Judicial	3,002,175	1,584,662	2,694,333	1,540,337
Public Safety	6,535,351	3,634,113	5,538,684	3,206,678
Public Works	11,374,061	6,083,675	11,080,220	6,020,727
Health	369,944	184,597	348,017	116,107
Human Services	13,924,701	6,536,307	13,861,154	5,815,257
Conservation and Recreation	0	0	0	0
Economic Development and Assistance	212,460	136,800	325,068	84,934
Intergovernmental	228,882	228,882	235,750	235,750
Interest and Fiscal Charges	34,641	34,641	40,315	40,315
Total Expenses	<u>\$40,891,723</u>	<u>\$20,479,598</u>	<u>\$39,363,236</u>	<u>\$19,276,224</u>

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

Charges for services, operating grants, and capital grants of approximately 49% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 51% 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.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

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**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 \$41,071,171 and expenditures of \$36,444,594.

The General Fund is the chief operating fund of the County. At the end of the current year, unassigned fund balance of the General Fund was \$2,328,105 while total fund balance was \$4,797,236, an increase of \$626,811 from the prior year. The Public Assistance Fund balance decreased \$8,756 due to normal operations of the fund. The Auto License and Gas Fund balance increased \$281,035. The Developmental Disabilities fund balance increased \$1,023,077. The Capital Improvement Tax fund balance increased by \$1,168,257.

The enterprise funds reflect an operating loss for 2016. Fair Haven had operating loss of \$369,102. The Sewer Fund had an operating loss of \$178,240 caused in part by depreciation expense on assets, (most of which are infrastructure assets) of \$316,845.

***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 2016, the General Fund had original appropriations of \$16,446,452 and final appropriations of \$16,780,842. Actual expenditures plus encumbrances for 2016 were \$16,281,310.



**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

**Capital Assets and Debt Administration**

**Capital Assets**

Table 4  
 Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities	
	2015		2016	2015
	2016	(Restated)		
Land	\$2,419,034	\$2,419,034	\$424,291	\$407,208
Construction in Progress	451,465	187,600	825,844	326,356
Buildings	21,250,543	21,109,599	1,422,219	1,417,445
Equipment	1,252,593	1,263,018	315,889	224,465
Furniture and Fixtures	33,028	43,358	0	0
Vehicles	2,804,338	2,632,918	69,553	76,205
Infrastructure	44,438,490	48,660,341	9,375,322	9,400,349
<b>Totals</b>	<b>\$72,649,491</b>	<b>\$76,315,868</b>	<b>\$12,433,118</b>	<b>\$11,852,028</b>

See Note 10 of the notes to the basic financial statements for more detailed capital asset information.

**Debt**

At December 31, 2016, Shelby County had \$44,693 in long-term governmental debt outstanding, and \$2,768,914 in long-term enterprise debt.

Table 5  
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Loans Payable	\$0	\$0	\$2,768,914	\$2,627,784
Capital Leases	44,693	46,458	0	0
<b>Totals</b>	<b>\$44,693</b>	<b>\$46,458</b>	<b>\$2,768,914</b>	<b>\$2,627,784</b>

Obligations under governmental activities capital leases will be paid from the General Fund and the Auto License and Gas Fund.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2016*

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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 16 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 17 of the notes to the basic financial statements for more detailed information on the manuscript debt.

The County's overall legal debt margin was \$27,411,475 as of December 31, 2016. The more restrictive unvoted legal debt margin was \$11,564,590 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.

**Shelby County, Ohio**  
*Statement of Net Position*  
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$26,889,591	\$617,205	\$27,506,796
Cash and Cash Equivalents in Segregated Accounts	83,543	16,426	99,969
Investments in Segregated Accounts	0	1,338,834	1,338,834
Accrued Interest Receivable	51,801	3,478	55,279
Permissive Sales Tax Receivable	1,653,106	0	1,653,106
Accounts Receivable (Net, where applicable, of Uncollectible Accounts)	515,051	952,893	1,467,944
Inventory of Supplies and Materials	359,851	8,454	368,305
Due from Other Governments	4,656,393	294,143	4,950,536
Property and Other Taxes Receivable	6,747,389	0	6,747,389
Prepaid Items	307,048	35,197	342,245
Internal Balances	0	262	262
Notes Receivable	536,069	0	536,069
Special Assessments Receivable	320,777	74,246	395,023
Loans Receivable	0	610,794	610,794
Depreciable Capital Assets, Net	69,778,992	11,182,983	80,961,975
Capital Assets, Not Being Depreciated	2,870,499	1,250,135	4,120,634
<i>Total Assets</i>	<u>114,770,110</u>	<u>16,385,050</u>	<u>131,155,160</u>
<b>Deferred Outflows of Resources</b>			
Pension	8,096,102	1,425,904	9,522,006
<b>Liabilities</b>			
Accounts Payable	299,730	44,075	343,805
Contracts Payable	76,004	92,497	168,501
Accrued Wages Payable	406,020	141,424	547,444
Due to Other Governments	342,794	86,047	428,841
Accrued Interest Payable	0	7,027	7,027
Internal Balances	262	0	262
Long Term Liabilities:			
Due Within One Year	95,599	121,938	217,537
Due in More Than One Year:			
Net Pension Liability	21,564,348	4,668,931	26,233,279
Other Amounts Due in More Than One Year	1,842,100	3,004,173	4,846,273
Total Due in More Than One Year	<u>23,406,448</u>	<u>7,673,104</u>	<u>31,079,552</u>
<i>Total Liabilities</i>	<u>24,626,857</u>	<u>8,166,112</u>	<u>32,792,969</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Not Levied to Finance Current Year Operations	6,662,337	0	6,662,337
Pension	348,574	90,725	439,299
<i>Total Deferred Inflows of Resources</i>	<u>7,010,911</u>	<u>90,725</u>	<u>7,101,636</u>
<b>Net Position</b>			
Net Investment in Capital Assets	72,604,798	10,552,212	83,157,010
Restricted for:			
Other Purposes	21,291,676	0	21,291,676
Capital Outlay	4,073,511	867,763	4,941,274
Unrestricted	<u>(6,741,541)</u>	<u>(1,865,858)</u>	<u>(8,607,399)</u>
<i>Total Net Position</i>	<u>\$91,228,444</u>	<u>\$9,554,117</u>	<u>\$100,782,561</u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$5,209,508	\$3,152,051	\$1,536	\$0
Judicial	3,002,175	741,741	675,772	0
Public Safety	6,535,351	2,432,927	468,311	0
Public Works	11,374,061	648,907	4,455,612	185,867
Health	369,944	179,753	5,594	0
Human Services	13,924,701	1,504,921	5,883,473	0
Economic Development and Assistance	212,460	0	75,660	0
Intergovernmental	228,882	0	0	0
Interest and Fiscal Charges	34,641	0	0	0
<i>Total Governmental Activities</i>	<u>40,891,723</u>	<u>8,660,300</u>	<u>11,565,958</u>	<u>185,867</u>
<b>Business-type activities:</b>				
Fair Haven	7,443,876	7,049,001	0	0
Sewer	1,161,629	947,534	0	0
<i>Total business-type activities</i>	<u>8,605,505</u>	<u>7,996,535</u>	<u>0</u>	<u>0</u>
<i>Total primary government</i>	<u>\$49,497,228</u>	<u>\$16,656,835</u>	<u>\$11,565,958</u>	<u>\$185,867</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
(\$2,055,921)	\$0	(\$2,055,921)
(1,584,662)	0	(1,584,662)
(3,634,113)	0	(3,634,113)
(6,083,675)	0	(6,083,675)
(184,597)	0	(184,597)
(6,536,307)	0	(6,536,307)
(136,800)	0	(136,800)
(228,882)	0	(228,882)
(34,641)	0	(34,641)
<u>(20,479,598)</u>	<u>0</u>	<u>(20,479,598)</u>
0	(394,875)	(394,875)
0	(214,095)	(214,095)
0	(608,970)	(608,970)
<u>(20,479,598)</u>	<u>(608,970)</u>	<u>(21,088,568)</u>
2,259,524	0	2,259,524
4,276,749	0	4,276,749
159,642	0	159,642
5,177,981	0	5,177,981
1,713,072	0	1,713,072
1,693,435	0	1,693,435
1,693,435	0	1,693,435
3,630,447	0	3,630,447
200,975	11,719	212,694
146,189	25,813	172,002
(114,846)	114,846	0
<u>20,836,603</u>	<u>152,378</u>	<u>20,988,981</u>
357,005	(456,592)	(99,587)
<u>90,871,439</u>	<u>10,010,709</u>	<u>100,882,148</u>
<u>\$91,228,444</u>	<u>\$9,554,117</u>	<u>\$100,782,561</u>

**Shelby County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2016*

	General	Public Assistance	Auto License and Gas
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,240,049	\$475,005	\$3,238,153
Cash and Cash Equivalents in Segregated Accounts	56,681	0	0
Receivables:			
Property and Other Taxes	2,317,348	0	12,641
Permissive Sales Tax	1,377,586	0	0
Accounts (Net, where applicable, of Uncollectible Accounts)	297,561	4,679	18,094
Interfund	14,759	55,782	1,205,319
Special Assessments	0	0	0
Accrued Interest	51,801	0	0
Due from Other Governments	1,075,646	131,854	2,128,850
Prepaid Items	114,109	56,403	33,185
Inventory of Supplies and Materials	58,223	4,416	297,212
Notes Receivable	0	0	0
<i>Total Assets</i>	<u>\$8,603,763</u>	<u>\$728,139</u>	<u>\$6,933,454</u>
<b>Liabilities</b>			
Accounts Payable	\$121,214	\$46,417	\$29,700
Contracts Payable	0	0	58,080
Accrued Wages Payable	168,406	38,121	26,134
Due to Other Governments	170,916	38,489	19,884
Interfund Payable	48,722	3,328	0
<i>Total Liabilities</i>	<u>509,258</u>	<u>126,355</u>	<u>133,798</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Not Levied to Finance Current Year Operations	2,295,861	0	0
Unavailable Revenue	1,001,408	133,577	1,490,739
<i>Total Deferred Inflows of Resources</i>	<u>3,297,269</u>	<u>133,577</u>	<u>1,490,739</u>
<b>Fund Balances</b>			
Nonspendable	257,611	60,819	1,129,117
Restricted	0	407,388	4,179,800
Committed	0	0	0
Assigned	2,211,520	0	0
Unassigned	2,328,105	0	0
<i>Total Fund Balances</i>	<u>4,797,236</u>	<u>468,207</u>	<u>5,308,917</u>
<i>Total Liabilities, Deferred Inflows of Resources,     and Fund Balances</i>	<u>\$8,603,763</u>	<u>\$728,139</u>	<u>\$6,933,454</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Capital Improvement Tax	Other Governmental Funds	Total Governmental Funds
\$11,972,181	\$1,278,860	\$6,685,343	\$26,889,591
0	0	26,862	83,543
4,417,400	0	0	6,747,389
0	0	275,520	1,653,106
4,010	0	190,707	515,051
0	0	727,422	2,003,282
0	0	320,777	320,777
0	0	0	51,801
929,179	0	390,864	4,656,393
46,589	0	56,762	307,048
0	0	0	359,851
0	0	536,069	536,069
<u>\$17,369,359</u>	<u>\$1,278,860</u>	<u>\$9,210,326</u>	<u>\$44,123,901</u>
\$19,428	\$0	\$82,971	\$299,730
0	17,924	0	76,004
134,660	0	38,699	406,020
76,579	0	36,926	342,794
1,940	1,872,000	77,554	2,003,544
<u>232,607</u>	<u>1,889,924</u>	<u>236,150</u>	<u>3,128,092</u>
4,366,476	0	0	6,662,337
821,970	0	717,196	4,164,890
<u>5,188,446</u>	<u>0</u>	<u>717,196</u>	<u>10,827,227</u>
46,589	0	953,832	2,447,968
11,901,717	0	7,085,366	23,574,271
0	0	217,782	217,782
0	0	0	2,211,520
0	(611,064)	0	1,717,041
<u>11,948,306</u>	<u>(611,064)</u>	<u>8,256,980</u>	<u>30,168,582</u>
<u>\$17,369,359</u>	<u>\$1,278,860</u>	<u>\$9,210,326</u>	<u>\$44,123,901</u>

**Shelby County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2016*

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<b>Total Governmental Fund Balances</b>	<b>\$30,168,582</b>
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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.	72,649,491
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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	128,627
Intergovernmental	3,277,340
Accounts Receivable	431,492
Special Assessments	306,769
Interest	<u>20,662</u>

Total	4,164,890
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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	8,096,102
Deferred Inflows - Pension	(348,574)
Net Pension Liability	<u>(21,564,348)</u>

Total	(13,816,820)
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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	(44,693)
Compensated Absences	<u>(1,893,006)</u>

Total	<u>(1,937,699)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$91,228,444</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, 2016*

	General	Public Assistance	Auto License and Gas
<b>Revenues</b>			
Property and Other Taxes	\$2,262,314	\$0	\$159,642
Permissive Sales Tax	8,564,851	0	0
Intergovernmental	1,862,301	3,009,402	4,351,722
Charges for Services	3,833,258	647,692	212,293
Licenses and Permits	51,675	0	0
Fines and Forfeitures	144,590	0	0
Special Assessments	0	0	0
Interest	183,880	0	18,641
Increase in Fair Value of Investments	2,169	0	0
Other	259,883	63,167	83,783
<i>Total Revenues</i>	<u>17,164,921</u>	<u>3,720,261</u>	<u>4,826,081</u>
<b>Expenditures</b>			
Current:			
General Government:			
Legislative and Executive	4,461,080	0	0
Judicial	2,123,669	0	0
Public Safety	4,774,269	0	0
Public Works	608,162	0	6,243,372
Health	166,648	0	0
Human Services	568,973	3,729,017	0
Economic Development and Assistance	0	0	0
Intergovernmental	228,882	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	14,661	0	2,404
Interest and Fiscal Charges	2,996	0	445
<i>Total Expenditures</i>	<u>12,949,340</u>	<u>3,729,017</u>	<u>6,246,221</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,215,581</u>	<u>(8,756)</u>	<u>(1,420,140)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	2,129	0	7,740
Inception of Capital Lease	15,300	0	0
Transfers - In	86,152	0	1,693,435
Transfers - Out	(3,692,351)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,588,770)</u>	<u>0</u>	<u>1,701,175</u>
<i>Net Change in Fund Balances</i>	626,811	(8,756)	281,035
<i>Fund Balances Beginning of Year (Restated - Note 3)</i>	<u>4,170,425</u>	<u>476,963</u>	<u>5,027,882</u>
<i>Fund Balances End of Year</i>	<u>\$4,797,236</u>	<u>\$468,207</u>	<u>\$5,308,917</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Capital Improvement Tax	Other Governmental Funds	Total Governmental Funds
\$4,282,599	\$0	\$0	\$6,704,555
0	0	1,713,072	10,277,923
3,492,913	0	2,157,207	14,873,545
61,660	0	1,640,156	6,395,059
0	0	148,175	199,850
0	0	191,519	336,109
0	0	316,450	316,450
4	0	11,232	213,757
0	0	0	2,169
404,716	6,512	933,693	1,751,754
8,241,892	6,512	7,111,504	41,071,171
0	0	732,649	5,193,729
0	0	650,782	2,774,451
0	0	1,323,816	6,098,085
0	0	558,333	7,409,867
0	0	192,984	359,632
7,256,323	0	1,769,414	13,323,727
0	0	211,701	211,701
0	0	0	228,882
0	500,490	292,324	792,814
0	0	0	17,065
0	31,200	0	34,641
7,256,323	531,690	5,732,003	36,444,594
985,569	(525,178)	1,379,501	4,626,577
37,508	0	0	47,377
0	0	0	15,300
0	1,693,435	305,481	3,778,503
0	0	(200,998)	(3,893,349)
37,508	1,693,435	104,483	(52,169)
1,023,077	1,168,257	1,483,984	4,574,408
10,925,229	(1,779,321)	6,772,996	25,594,174
\$11,948,306	(\$611,064)	\$8,256,980	\$30,168,582

**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, 2016*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$4,574,408</b>
<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	2,795,463
Depreciation	<u>(6,348,180)</u>
Excess of Capital Outlay over Depreciation Expense	(3,552,717)
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	(47,377)
Loss on Disposal of Capital Assets	<u>(66,283)</u>
	(113,660)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	1,943,533
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(2,674,180)
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	(15,300)
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:	
Capital Lease Principal Payments	17,065
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	(8,640)
Intergovernmental	285,296
Charges for Services	(37,692)
Fines and Forfeitures	28,481
Licenses and Permits	2,782
Other Revenue	12,296
Special Assessments	6,470
Interest	<u>3,409</u>
	292,402
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:	
Increase in Compensated Absences	<u>(114,546)</u>
	<u>\$357,005</u>
Change in Net Position of Governmental Activities	

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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Taxes	\$2,245,500	\$2,245,500	\$2,263,890	\$18,390
Permissive Sales Tax	7,780,000	7,966,870	8,553,676	586,806
Intergovernmental	1,694,562	1,694,562	1,861,085	166,523
Charges for Services	2,453,036	2,453,036	3,175,294	722,258
Licenses and Permits	60,800	60,800	51,675	(9,125)
Fines and Forfeitures	130,000	130,000	137,400	7,400
Interest	155,000	155,000	167,832	12,832
Other	131,668	219,862	190,193	(29,669)
<i>Total Revenues</i>	14,650,566	14,925,630	16,401,045	1,475,415
<b>Expenditures</b>				
Current:				
General Government:				
Legislative and Executive	4,338,474	4,477,882	4,324,194	153,688
Judicial	2,192,264	2,196,966	2,129,816	67,150
Public Safety	4,525,143	4,559,348	4,553,225	6,123
Public Works	682,608	661,632	623,399	38,233
Health	178,028	177,917	166,793	11,124
Human Services	733,314	731,996	555,150	176,846
Intergovernmental	228,882	228,882	228,882	0
<i>Total Expenditures</i>	12,878,713	13,034,623	12,581,459	453,164
<i>Excess of Revenues Over Expenditures</i>	1,771,853	1,891,007	3,819,586	1,928,579
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	\$0	\$0	\$2,129	\$2,129
Advances In	0	0	0	0
Advances Out	0	(2,500)	(2,500)	0
Transfers - In	0	83,652	86,152	2,500
Transfers - Out	(3,567,739)	(3,743,719)	(3,697,351)	46,368
<i>Total Other Financing Sources (Uses)</i>	(3,567,739)	(3,662,567)	(3,611,570)	50,997
<i>Net Change in Fund Balance</i>	(1,795,886)	(1,771,560)	208,016	1,979,576
<i>Fund Balance Beginning of Year</i>	1,678,561	1,678,561	1,678,561	0
Prior Year Encumbrances Appropriated	129,505	129,505	129,505	0
<i>Fund Balance End of Year</i>	\$12,180	\$36,506	\$2,016,082	\$1,979,576

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, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$3,270,440	\$3,011,901	\$2,721,165	(\$290,736)
Charges for Services	559,677	694,084	694,084	0
Other	125,873	260,005	257,555	(2,450)
<i>Total Revenues</i>	3,955,990	3,965,990	3,672,804	(293,186)
<b>Expenditures</b>				
Current:				
Human Services	4,011,406	4,007,921	3,688,199	319,722
<i>Excess of Revenues Under Expenditures</i>	(55,416)	(41,931)	(15,395)	26,536
<i>Fund Balance at Beginning of Year</i>	384,882	384,882	384,882	0
Prior Year Encumbrances Appropriated	50,413	50,413	50,413	0
<i>Fund Balance at End of Year</i>	<u>\$379,879</u>	<u>\$393,364</u>	<u>\$419,900</u>	<u>\$26,536</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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property and Other Taxes	\$150,000	\$162,298	\$162,298	\$0
Intergovernmental	4,200,000	4,348,475	4,348,475	0
Charges for Services	200,000	199,333	199,333	0
Interest	25,000	19,968	19,968	0
Other	25,000	83,323	83,323	0
<i>Total Revenues</i>	4,600,000	4,813,397	4,813,397	0
<b>Expenditures</b>				
Current:				
Public Works	10,300,098	10,290,011	6,322,565	3,967,446
<i>Excess of Revenues Under Expenditures</i>	(5,700,098)	(5,476,614)	(1,509,168)	3,967,446
<b>Other Financing Sources</b>				
Transfers In	1,600,000	1,693,435	1,693,435	0
Proceeds from Sale of Capital Assets	0	7,740	7,740	0
<i>Total Other Financing Sources</i>	1,600,000	1,701,175	1,701,175	0
<i>Net Change in Fund Balance</i>	(4,100,098)	(3,775,439)	192,007	3,967,446
<i>Fund Balance at Beginning of Year</i>	3,782,053	3,782,053	3,782,053	0
Prior Year Encumbrances Appropriated	319,116	319,116	319,116	0
<i>Fund Balance at End of Year</i>	\$1,071	\$325,730	\$4,293,176	\$3,967,446

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, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property and Other Taxes	\$4,210,000	\$4,286,258	\$4,286,258	\$0
Intergovernmental	3,390,407	3,518,213	3,518,213	0
Charges for Services	50,000	59,950	59,950	0
Other	453,780	654,782	413,152	(241,630)
<i>Total Revenues</i>	<u>8,104,187</u>	<u>8,519,203</u>	<u>8,277,573</u>	<u>(241,630)</u>
<b>Expenditures</b>				
Current:				
Human Services	6,368,302	6,198,058	5,817,882	380,176
<i>Excess of Revenues Over Expenditures</i>	<u>1,735,885</u>	<u>2,321,145</u>	<u>2,459,691</u>	<u>138,546</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	37,508	37,508
Advances - In	0	34,802	34,802	0
Transfers - Out	(100,000)	(1,471,644)	(1,471,644)	0
Advances - Out	0	(48,802)	(48,802)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(100,000)</u>	<u>(1,485,644)</u>	<u>(1,448,136)</u>	<u>37,508</u>
<i>Net Change in Fund Balance</i>	1,635,885	835,501	1,011,555	176,054
<i>Fund Balance at Beginning of Year</i>	6,559,960	6,559,960	6,559,960	0
Prior Year Encumbrances Appropriated	46,035	46,035	46,035	0
<i>Fund Balance at End of Year</i>	<u>\$8,241,880</u>	<u>\$7,441,496</u>	<u>\$7,617,550</u>	<u>\$176,054</u>

See accompanying notes to the basic financial statements



**Shelby County, Ohio**  
*Statement of Fund Net Position*  
*Enterprise Funds*  
*December 31, 2016*

	Fair Haven	Sewer	Total
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$508,413	\$108,792	\$617,205
Cash and Cash Equivalents in Segregated Accounts	8,114	8,312	16,426
Investments in Segregated Accounts	1,338,834	0	1,338,834
Accounts Receivable	864,192	88,700	952,892
Accrued Interest Receivable	3,478	0	3,478
Inventory of Supplies and Materials	8,454	0	8,454
Due from Other Governments	294,103	40	294,143
Prepaid Items	31,679	3,518	35,197
Interfund Receivable	0	262	262
Special Assessments Receivable	0	74,246	74,246
Loan Receivable	0	60,132	60,132
<i>Total Current Assets</i>	<u>3,057,267</u>	<u>344,002</u>	<u>3,401,269</u>
<i>Non-current Assets:</i>			
Loan Receivable - net of current portion	0	550,662	550,662
Non-Depreciable Capital Assets	506,259	743,876	1,250,135
Depreciable Capital Assets, Net	1,658,916	9,524,067	11,182,983
<i>Total Noncurrent Assets</i>	<u>2,165,175</u>	<u>10,818,605</u>	<u>12,983,780</u>
<i>Total Assets</i>	<u>5,222,442</u>	<u>11,162,607</u>	<u>16,385,049</u>
<i>Deferred Outflow of Resources</i>			
Pension	1,326,112	99,792	1,425,904
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Accounts Payable	36,577	7,498	44,075
Accrued Wages Payable	137,648	3,776	141,424
Contracts Payable	59,443	33,054	92,497
Due to Other Governments	79,850	6,197	86,047
Accrued Interest Payable	0	7,027	7,027
Compensated Absences Payable	14,833	340	15,173
OPWC Loans Payable	0	5,497	5,497
OWDA Loans Payable	0	94,268	94,268
USDA Loan Payable	0	7,000	7,000
<i>Total Current Liabilities</i>	<u>328,351</u>	<u>164,657</u>	<u>493,008</u>
<i>Long-Term Liabilities:</i>			
Net Pension Liability	4,423,199	245,732	4,668,931
Compensated Absences Payable - net of current portion	295,376	46,648	342,024
OPWC Loans Payable - net of current portion	0	185,343	185,343
OWDA Loans Payable - net of current portion	0	1,983,806	1,983,806
USDA Loan Payable - net of current portion	0	493,000	493,000
<i>Total Long-Term Liabilities</i>	<u>4,718,575</u>	<u>2,954,529</u>	<u>7,673,104</u>
<i>Total Liabilities</i>	<u>5,046,926</u>	<u>3,119,186</u>	<u>8,166,112</u>
<i>Deferred Inflow of Resources</i>			
Pension	85,950	4,775	90,725
<b>Net Position</b>			
Net Investment in Capital Assets	2,165,175	8,387,037	10,552,212
Restricted for Capital Improvements Endowment	867,763	0	867,763
Unrestricted	(1,617,260)	(248,598)	(1,865,858)
<i>Total Net Position</i>	<u>\$1,415,678</u>	<u>\$8,138,439</u>	<u>\$9,554,117</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, 2016*

	Fair Haven	Sewer	Total
<b>Operating Revenues</b>			
Charges for Services	\$7,049,001	\$947,534	\$7,996,535
Other	25,773	40	25,813
<i>Total Operating Revenues</i>	<u>7,074,774</u>	<u>947,574</u>	<u>8,022,348</u>
<b>Operating Expenses</b>			
Personal Services	5,476,853	345,151	5,822,004
Contractual Services	738,273	408,892	1,147,165
Materials and Supplies	657,747	50,232	707,979
Depreciation	52,138	316,845	368,983
Other	518,865	4,694	523,559
<i>Total Operating Expenses</i>	<u>7,443,876</u>	<u>1,125,814</u>	<u>8,569,690</u>
<i>Operating Income (Loss)</i>	<u>(369,102)</u>	<u>(178,240)</u>	<u>(547,342)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest	11,719	0	11,719
Interest and Fiscal Charges	0	(35,815)	(35,815)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>11,719</u>	<u>(35,815)</u>	<u>(24,096)</u>
<i>Income (Loss) Before Transfers</i>	(357,383)	(214,055)	(571,438)
Transfers In	0	114,846	114,846
<i>Change in Net Position</i>	(357,383)	(99,209)	(456,592)
<i>Net Position Beginning of Year</i>	<u>1,773,061</u>	<u>8,237,648</u>	<u>10,010,709</u>
<i>Net Position End of Year</i>	<u>\$1,415,678</u>	<u>\$8,138,439</u>	<u>\$9,554,117</u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2016

	Fair Haven	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers and Support	\$7,463,277	\$912,649	\$8,375,926
Cash Received from Other Operating Receipts	25,699	0	25,699
Cash Payments for Employee Services and Benefits	(4,860,600)	(345,431)	(5,206,031)
Cash Payments to Suppliers	(1,596,604)	(464,098)	(2,060,702)
Cash Payments for Other Operating Expenses	(501,697)	(1,205)	(502,902)
<i>Net Cash Provided by Operating Activities</i>	<u>530,075</u>	<u>101,915</u>	<u>631,990</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers - In	0	114,846	114,846
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(572,347)	(377,726)	(950,073)
Repayments on Fort Loramie Loan	0	66,601	66,601
Loan Proceeds	0	282,728	282,728
Loan Principal Payments	0	(141,596)	(141,596)
Loan Interest Payments	0	(59,837)	(59,837)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(572,347)</u>	<u>(229,830)</u>	<u>(802,177)</u>
<b>Cash Flows from Investing Activities</b>			
Interest	9,859	0	9,859
<i>Net Decrease in Cash and Cash Equivalents</i>	(32,413)	(13,069)	(45,482)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,887,774</u>	<u>130,173</u>	<u>2,017,947</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,855,361</u>	<u>\$117,104</u>	<u>\$1,972,465</u>

(Continued)

**Shelby County, Ohio**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Year Ended December 31, 2016  
(Continued)

	Fair Haven	Sewer	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
<b>Operating Income (Loss)</b>	(\$369,102)	(\$178,240)	(\$547,342)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Depreciation	52,138	316,845	368,983
<b>Changes in Assets and Liabilities:</b>			
Pension Expense	1,066,621	40,153	1,106,774
Deferral of 2016 Pension Contributions	(460,230)	(25,568)	(485,798)
(Increase) in Accounts Receivable	(85,319)	(6,433)	(91,752)
(Increase) in Inventory of Supplies and Materials	(2,878)	0	(2,878)
(Increase) Decrease in Due from Other Governments	499,521	(40)	499,481
(Increase) in Prepaid Items	(28,577)	(1,130)	(29,707)
(Increase) in Interfund Receivable	0	(262)	(262)
(Increase) in Special Assessments Receivable	0	(28,190)	(28,190)
(Decrease) in Accounts Payable	(94,872)	(19,134)	(114,006)
Increase (Decrease) in Contracts Payable	(43,107)	24,415	(18,692)
(Decrease) in Retainage Payable	(11,394)	0	(11,394)
Increase (Decrease) in Accrued Wages	3,304	(331)	2,973
(Decrease) in Due to Other Governments	(6,644)	(7,696)	(14,340)
Increase (Decrease) in Compensated Absences Payable	10,614	(12,474)	(1,860)
<i>Net Cash Provided by Operating Activities</i>	<u>\$530,075</u>	<u>\$101,915</u>	<u>\$631,990</u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2016*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$39,286	\$2,496,543
Cash and Cash Equivalents in Segregated Accounts	0	519,622
Investments in Segregated Accounts	0	98,136
Receivables:		
Property and Other Taxes	0	41,167,824
Accounts (Net, where applicable, of Uncollectible Accounts)	0	246,484
Special Assessments	0	246,700
Due from Other Governments	0	2,634,780
Revenue in Lieu of Taxes Receivable	0	151,861
<i>Total Assets</i>	39,286	\$47,561,950
<b>Liabilities</b>		
Current Liabilities		
Due to Other Governments	\$0	\$44,494,505
Undistributed Monies	0	3,034,701
Deposits Held and Due to Others	0	32,744
<i>Total Current Liabilities</i>	0	47,561,950
<b>Net Position</b>		
Held in Trust for Pool Participants	\$39,286	

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, 2016*

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	Private Purpose Trust
<b>Additions:</b>	
Donations	\$2,813
<b>Deductions:</b>	
Distributions to Participants	3,615
Change in Net Position	(802)
Net Position Beginning of Year	40,088
<b>Net Position End of Year</b>	<b>\$39,286</b>

See accompanying notes to the basic financial statements

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**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**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.

**Blended Component Unit**

The Shelby County Land Reutilization Corporation (the Corporation) is a body corporate and politic authorized by the Board of County Commissioners of Shelby County on March 29, 2016, and incorporated on April 1, 2016, under Chapter 1724 of the Ohio Revised Code. The Corporation's governing body is a five member board of directors consisting of the County Treasurer, two County Commissioners, one representative of the City of Sidney, and one director with private sector or non-profit real estate experience selected by the County Treasurer and the two County Commissioners. The Corporation has been designated as the County's agent to further its mission to reclaim, rehabilitate, and reutilize vacant, abandoned, foreclosed, and other real property in the County by exercising the powers of the County under Chapter 5722 of the Ohio Revised Code. The Corporation meets the requirements and qualifies as a blended component unit of the County; however, it has not been presented in the financial statements or note disclosure as it is considered immaterial. Financial information can be obtained by writing to Shelby County Land Reutilization Corporation, 129 East Court Street, Sidney, Ohio 45365.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION**

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 Park District  
Shelby County Family and Children First

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

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

**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.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide Financial Statements**

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

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

**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.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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, Park District, and Family and Children First.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**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 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, 2016*

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**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, 2016, but were levied to finance 2017 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 (1) 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, and (2) the difference between expected and actual actuarial experience, which is recognized in pension expense using a straight line method over a closed period equal to the average expected remaining service lives of all employees.

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, 2016*

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**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 (1) 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 with the current year, and (2) differences between expected and actual actuarial experience, and (3) changes in the County's proportionate share of the liability. The deferred outflows from differences in actuarial experience and changes in the County proportionate share are recognized in pension expense over a closed period equal to the average expected remaining service lives of all employees. 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."

During 2016, 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, commercial paper, 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 \$183,880 was credited to the General Fund during 2016, which includes \$163,477 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, 2016*

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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, 2016, 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 arise 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, 2016*

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**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, 2016*

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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, 2016*

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**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, 2016*

**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 2016.

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 RESTATEMENT OF NET POSITION**

For the year ended December 31, 2016, the County has implemented GASB Statement No. 77, “Tax Abatement Disclosures.” This statement requires disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues. This statement only affects note disclosure; therefore, the implementation of GASB Statement No. 77 had no impact on fund balance or net position as previously reported at December 31, 2015.

For 2016, the County reclassified the Emergency Management Agency from an agency fund to a special revenue fund. This reclassification had the following effect on net position as previously reported at December 31, 2015:

	Governmental Activities	Other Governmental Funds
Net position/Fund Balance December 31, 2015	\$90,615,951	\$6,626,804
Equity in Pooled Cash	147,468	147,468
Accrued Wages	(566)	(566)
Intergovernmental Payable	(710)	(710)
Capital Assets	109,296	0
Restated Net Position/Fund Balance December 31, 2015	<u>\$90,871,439</u>	<u>\$6,772,996</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**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, 2016*

**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	\$626,811	(\$8,756)	\$281,035	\$1,023,077
Adjustments:				
Revenue Accruals	(99,277)	263,356	(12,634)	545,952
Expenditure Accruals	(46,478)	(238,659)	52,525	(171,036)
Encumbrances	(177,349)	(53,585)	(143,030)	(54,664)
Advances	(2,500)	0	0	0
Unrecorded Cash 2015	71,134	0	(50)	0
Unrecorded Cash 2016	(80,534)	(60)	50	0
Increase in Fair Value of Investments	2,169	0	0	0
Agency Fund Cash -2015	43,647	0	0	80,229
Agency Fund Cash -2016	(42,071)	0	0	(76,570)
Non-Budgeted Activity	0	0	0	(76,648)
Perspective Differences	(113,706)	(1,438)	0	(288,706)
Prepaid Items	26,170	23,747	14,111	29,921
Budget Basis	<u>\$208,016</u>	<u>(\$15,395)</u>	<u>\$192,007</u>	<u>\$1,011,555</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, 2016*

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**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, 2016*

**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, 2016, the carrying amount of the County’s deposits was \$19,158,647 and the bank balance was \$19,680,342.

***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, 2016, \$10,347,151 of the government’s bank balance of \$19,680,342 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, 2016, the County had the following investments and maturities:

Investment Type	Investment Maturities			
	Market Value	Less Than One Year	One to Three Years	Three to Five Years
Federal Farm Credit Bank	\$2,468,635	\$0	\$1,488,935	\$979,700
Federal Home Loan Bank	1,189,355	100,064	0	1,089,291
Federal Home Loan Mortgage Corporation	3,816,733	1,433,534	2,189,223	193,976
Federal National Mortgage Association	3,883,191	1,100,839	1,895,678	886,674
First American Treasury Obligation	1,070,424	1,070,424	0	0
Toyota Motor Credit commercial paper	497,260	497,260	0	0
<b>Total</b>	<b>\$12,925,598</b>	<b>\$4,202,121</b>	<b>\$5,573,836</b>	<b>\$3,149,641</b>

***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, 2016*

**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. 30% of the County’s investments at December 31, 2016, were in the Federal National Mortgage Association, 30% were in the Federal Home Loan Mortgage Corporation, 19% were in the Federal Farm Credit Bank, 9% were in the Federal Home Loan Bank, 8% were in the First American Treasury Obligation mutual fund, and 4% were in the Toyota Motor Credit commercial paper.

**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 Farm Credit 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, 2016. The County’s investment in the First American Treasury Obligation was rated AAAM by Standard and Poor’s at December 31, 2016. Toyota Motor Credit commercial paper was rated was rated Aa3 and P-1 by Moody’s Investor Service at December 31, 2016.

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	\$30,662,216	\$1,436,970
Cash on Hand	(14,941)	0
Investments:		
Certificates of Deposit	1,087,768	(1,087,768)
Federal Farm Credit Bank	(2,468,635)	2,468,635
Federal Home Loan Bank	(1,089,351)	1,089,351
Federal Home Loan Mortgage Corporation	(3,716,729)	3,716,729
Federal National Mortgage Association	(3,783,052)	3,783,052
First American Treasury Obligation Fund	(1,021,369)	1,021,369
Toyota Motor Credit Commercial Paper	(497,260)	497,260
GASB Statement No. 3	\$19,158,647	\$12,925,598

**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 2016 for real and public utility property taxes represents collections of 2015 taxes.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 6 - PROPERTY TAXES (Continued)**

2016 real property taxes are levied after October 1, 2015 on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Public utility property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2015, and are collected in 2016 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, 2016, 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 2016 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, 2016 was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$924,812,280	79.97
Other Real Property	191,986,720	16.60
Public Utility Personal Property	39,659,990	3.43
Total Assessed Value	<u>\$1,156,458,990</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, 2016*

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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 2016. 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 2016. On a modified and full accrual basis, the full amount of the receivable is recognized as revenue. Sales and use tax revenue received in 2016 amounted to \$8,564,851 in the General Fund, and \$1,713,072 in the non-major funds, for a total of \$10,277,923.

NOTE 8 – TAX ABATEMENTS

Enterprise Zone Program

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in the designated area. An enterprise zone agreement allows for the exemption for a specified number of years (not to exceed 15) of a specified portion (not to exceed 75%) of the increase in the assessed valuation of real property as a result of the business' investment. As part of the agreement, businesses must make specific commitments to investment and job creation or retention. If for any three-year period of the agreement the business fails to meet at least 75% of the job creation or retention committed to, the business must repay any taxes abated during that three-year period. If the business fails to comply with other terms of the agreement, the agreement will be terminated and the business may have to repay all taxes that have been abated.

The County, in conjunction with the City of Sidney, has active enterprise zone agreements with two local businesses. The agreements exempt 57% and 67% of the new real property investment of the businesses from taxation for a period of ten years. In conjunction with the Village of Ft. Loramie, the County has active enterprise zone agreements with two local businesses. The agreements exempt 50% of the new real property investment of the businesses from taxation for a period of ten years. The County, in conjunction with Dinsmore Township, has an active enterprise zone agreement with one local business. The agreement exempts 60% of the new real property investment of the business from taxation for a period of ten years. For the year ended December 31, 2016, the County abated property taxes totaling \$53,296 under this program.

Tax Abatements of Other Governments

For the year ended December 31, 2016, County property tax revenues were reduced by \$4,062 under tax abatement agreements entered into by the Village of Anna, by \$12,906 under agreements entered into by the City of Sidney, by \$6,626 under agreements entered into by the Village of Botkins, by \$8,882 under agreements entered into by the Village of Jackson Center, and by \$501 under an agreement entered into by the Village of Russia, for a total of \$32,977.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2016, 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 \$158,460 delinquent special assessments at December 31, 2016.

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	\$1,204,801	\$7,566,340	\$136,171	\$794,017	\$9,701,329
Allowance for Uncollectible	(1,098,346)	(6,867,967)	(20,589)	0	(7,986,902)
Net Accounts Receivable	<u>\$106,455</u>	<u>\$698,373</u>	<u>\$115,582</u>	<u>\$794,017</u>	<u>\$1,714,427</u>

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	
Gasoline Tax	\$1,126,549
Motor Vehicle License Tax	1,001,821
Casino Tax	280,784
Local Government	335,928
Homestead and Rollback	381,900
Election Cost Reimbursement	8,717
Public Defender Reimbursement	32,304
ODE Unit Funding/subsidy payments	566,262
ODE Title XX	8,508
ODE Handicapped Preschool Grant	48,802
Developmental Disabilities Waiver	57,829
Miscellaneous Developmental Disabilities Reimbursements	4,325
VOCA and SVAA Grants	93,413
Judiciary Grants	82,379
Drug Prevention Grants	55,157
MAC Grants	5,208

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 9 - RECEIVABLES (Continued)**

Prisoner Housing and Fines	\$258,926
Public Assistance Underfunded	117,017
Children's Services Underfunded	16,233
Emergency Management Grants	22,687
Child Support Enforcement Agency Underfunded	84,205
Miscellaneous Public Assistance Reimbursements	3,506
Miscellaneous Child Support Reimbursements	16,409
Miscellaneous Reimbursements	47,524
Total Governmental Activities	4,656,393
<u>Business Type Activities</u>	
Medicare/Medicaid Reimbursement	200,296
Veteran's Administration Reimbursements	87,070
Miscellaneous Reimbursements	114
Area Agency on Aging Daycare/Transportation/Meals	6,663
Total Business-Type Activities	294,143
<u>Agency Funds</u>	
Local Government Assistance	705,577
Library Assistance	712,634
Gasoline Tax	586,946
Motor Vehicle License Tax	235,483
Homestead and Rollback	43,264
WIC Administration	214,747
Public Health Emergency Preparedness Grant	36,043
Immunization Action Plan	26,109
Help Me Grow Grant	59,537
Family Centered Services Support	14,440
Total Agency Funds	2,634,780
Total All Funds	\$7,585,316

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, 2016, the total amount of notes receivable of the Other Economic Development Special Revenue Fund was \$536,069, which includes \$411,790 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, 2016, the total amount of loans receivable in the Sewer Fund was \$610,794, which includes \$550,652 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, 2016

**NOTE 10 – CAPITAL ASSETS**

	Restated Balance at 12/31/2015	Additions	Deletions	Balance at 12/31/2016
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$2,419,034	\$0	\$0	\$2,419,034
Construction in Progress	187,600	263,865	0	451,465
Total Capital Assets Not Being Depreciated	<u>2,606,634</u>	<u>263,865</u>	<u>0</u>	<u>2,870,499</u>
Depreciable Capital Assets:				
Buildings	35,290,667	401,290	(17,230)	35,674,727
Equipment	2,626,252	187,596	(149,590)	2,664,258
Furniture and Fixtures	247,917	0	(10,501)	237,416
Vehicles	8,086,439	506,717	(478,275)	8,114,881
Infrastructure	166,835,819	1,435,995	(579,888)	167,691,926
Total Depreciable Capital Assets	<u>213,087,094</u>	<u>2,531,598</u>	<u>(1,235,484)</u>	<u>214,383,208</u>
Less Accumulated Depreciation:				
Buildings	(14,181,068)	(260,346)	17,230	(14,424,184)
Equipment	(1,363,234)	(198,021)	149,590	(1,411,665)
Furniture and Fixtures	(204,559)	(10,330)	10,501	(204,388)
Vehicles	(5,453,521)	(263,873)	406,851	(5,310,543)
Infrastructure	(118,175,478)	(5,615,610)	537,652	(123,253,436)
Total Accumulated Depreciation	<u>(139,377,860)</u>	<u>(6,348,180)</u>	<u>1,121,824</u>	<u>(144,604,216)</u>
Depreciable Capital Assets, Net	<u>73,709,234</u>	<u>(3,816,582)</u>	<u>(113,660)</u>	<u>69,778,992</u>
Governmental Activities Capital Assets, Net	<u>\$76,315,868</u>	<u>(\$3,552,717)</u>	<u>(\$113,660)</u>	<u>\$72,649,491</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$407,208	\$17,083	\$0	\$424,291
Construction in Progress	326,356	499,488	0	825,844
Total Capital Assets Not Being Depreciated	<u>733,564</u>	<u>516,571</u>	<u>0</u>	<u>1,250,135</u>
Depreciable Capital Assets:				
Buildings	3,037,129	22,500	0	3,059,629
Equipment	323,234	116,890	0	440,124
Vehicles	226,934	0	0	226,934
Infrastructure	13,999,191	294,112	0	14,293,303
Total Depreciable Capital Assets	<u>17,586,488</u>	<u>433,502</u>	<u>0</u>	<u>18,019,990</u>
Total Capital Assets At Historical Cost	<u>18,320,052</u>	<u>950,073</u>	<u>0</u>	<u>19,270,125</u>
Less Accumulated Depreciation:				
Buildings	(1,619,684)	(17,726)	0	(1,637,410)
Equipment	(98,769)	(25,466)	0	(124,235)
Vehicles	(150,729)	(6,652)	0	(157,381)
Infrastructure	(4,598,842)	(319,139)	0	(4,917,981)
Total Accumulated Depreciation	<u>(6,468,024)</u>	<u>(368,983)</u>	<u>0</u>	<u>(6,837,007)</u>
Depreciable Capital Assets, Net	<u>11,118,464</u>	<u>64,519</u>	<u>0</u>	<u>11,182,983</u>
Business-Type Activities Capital Assets, Net	<u>\$11,852,028</u>	<u>\$581,090</u>	<u>\$0</u>	<u>\$12,433,118</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 10 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental programs as follows:

General Government - Legislative and Executive	\$43,177
General Government - Judicial	114,006
Public Safety	214,137
Public Works	5,843,116
Health	1,917
Human Services	131,068
Economic Development and Assistance	759
Total Depreciation Expense	\$6,348,180

**NOTE 11 - 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 2016, 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, 2016*

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**NOTE 11 - 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 23). Each member pays premiums to the MEBC for employee medical and life insurance premiums. The MEBC is responsible for the management and operation of the program. Upon withdrawal, the County is obligated for the payment of supplementary payments attributable to years during which the County was a member of the MEBC. Such supplementary payments may include, but are not limited to, sums sufficient to pay claims, retain reserve levels and pay for continuing claims administration. In addition, the County will continue to be responsible for all other obligations of membership attributable to such prior years. The MEBC Board of Trustees has the right to return monies to an exiting member subsequent to the settlement of all expenses and claims.

**NOTE 12 - 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, 2016*

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**NOTE 12 - 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 *due to other governments* 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*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 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*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

	<u>State and Local</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>13.0 %</u>

\*\* 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 \$2,352,288 for 2016. Of this amount, \$238,108 is reported as due to other governments.

***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](http://www.strsoh.org).

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - 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, 2016*

**NOTE 12 - 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 is 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 County’s contractually required contribution to STRS was \$156,407 for 2016, which was entirely paid during 2016.

***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, 2015, 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, 2016, and was determined by 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	\$22,607,440	\$3,625,820	\$26,233,260
Proportion of the Net Pension Liability	0.1305195%	0.0108321%	
Pension Expense	\$1,174,741	\$186,155	\$1,360,896

At December 31, 2016, 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, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$6,185,523	\$320,472	\$6,505,995
Differences between expected and actual experience	0	137,222	\$137,222
Change in proportionate share of the net pension liability	172,924	276,534	449,458
County contributions subsequent to the measurement date	<u>2,352,288</u>	<u>77,043</u>	<u>2,429,331</u>
Total Deferred Outflows of Resources	<u><u>\$8,710,735</u></u>	<u><u>\$811,271</u></u>	<u><u>\$9,522,006</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$439,229</u>	<u>\$0</u>	<u>\$439,229</u>
Total Deferred Inflows of Resources	<u><u>\$439,229</u></u>	<u><u>\$0</u></u>	<u><u>\$439,229</u></u>

\$2,429,331 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, 2017. 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:			
2017	\$1,373,621	\$153,038	\$1,526,659
2018	1,479,877	153,037	1,632,914
2019	1,678,235	254,645	1,932,880
2020	<u>1,387,415</u>	<u>173,508</u>	<u>1,560,923</u>
Total	<u><u>\$5,919,148</u></u>	<u><u>\$734,228</u></u>	<u><u>\$6,653,376</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, 2015, 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, 2016*

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	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 .4 percent for 2015.

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 2015 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	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 12 - 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	\$36,020,918	\$22,607,440	\$11,296,232

**Changes Between Measurement Date and Report Date** In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 to 7.5 percent. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2016, 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 July 1, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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:

<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, 2016. 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, 2016. 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, 2016.

***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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$4,818,421	\$3,625,820	\$2,619,792



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 13 - 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/financial/reports.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 2016, 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, 2016, 2015, and 2014 was \$354,181 \$343,766, and \$363,178, respectively; 91 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

**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](http://www.strsoh.org) or by calling (888) 227-7877.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 13 - 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 2016, 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, 2016, 2015, and 2014 were \$0, \$0, and \$10,447, respectively. The full amount has been contributed for fiscal year 2016.

**NOTE 14 – 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 15 - CAPITAL LEASES**

During 2016 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, 2016*

**NOTE 15 - 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 2016 totaled \$17,065 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 \$96,459, 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, 2016, was \$56,677 and the carrying value was \$39,782.

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, 2016.

Fiscal Year Ending December 31,	Governmental Activities Amounts
2017	\$18,666
2018	12,194
2019	11,481
2020	8,289
2021	1,192
Total	51,822
Less: Amount Representing Interest	(7,129)
Present Value of Net Minimum Lease Payments	\$44,693

**NOTE 16 - LONG-TERM DEBT OBLIGATIONS**

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

	Balance at 12/31/15	Increases	Decreases	Balance at 12/31/16	Due Within One Year
Net Pension Liability	\$15,429,181	\$6,135,147	\$0	\$21,564,328	\$0
<u>Other Long-Term Obligations:</u>					
Compensated Absences Payable	1,778,460	988,807	874,261	1,893,006	79,995
Obligations Under Capital Lease	46,458	15,300	17,065	44,693	15,604
Total Other Long-Term Obligations	1,824,918	1,004,107	891,326	1,937,699	95,599
Total Governmental Activities	\$17,254,099	\$7,139,254	\$891,326	\$23,502,027	\$95,599

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 16 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Compensated absences will be paid from the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, and 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 2016 were as follows:

	Balance at 12/31/15	Increases	Decreases	Balance at 12/31/16	Due Within One Year
Net Pension Liability	\$3,305,192	\$1,363,740	\$0	\$4,668,932	\$0
<u>Other Long-Term Liabilities:</u>					
<u>Loans Payable:</u>					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	999,958	0	74,976	924,982	38,545
2006 McCartyville Sewer OWDA Loan - 0.00%	386,110	0	32,176	353,934	16,088
2009 Millcreek Sewer OWDA Loan - 1.50%	352,934	0	12,019	340,915	6,077
1998 Arrowhead Hills Sewer OPWC Loan - 0.00%	11,250	0	3,750	7,500	1,875
2010 Millcreek Sewer OPWC Loan - 0.00%	125,024	0	4,903	120,121	2,451
2011 Kettlersville Sewer USDA Loan - 3.50%	507,000	0	7,000	500,000	7,000
2014 Arrowhead Hills Sewer OPWC Loan - 0.00%	65,561	0	2,342	63,219	1,171
2015 Newport Sewer OWDA Loan - 0.00%	179,947	92,616	0	272,563	29,111
2016 BonTon Lift Station OWDA Loan - 0.71%	0	190,112	4,432	185,680	4,447
Total Loans	<u>2,627,784</u>	<u>282,728</u>	<u>141,598</u>	<u>2,768,914</u>	<u>106,765</u>
Compensated Absences Payable	359,057	197,736	199,596	357,197	15,173
Total Other Long-Term Liabilities	<u>2,986,841</u>	<u>480,464</u>	<u>341,194</u>	<u>3,126,111</u>	<u>121,938</u>
Total Business Type Activities	<u>\$6,292,033</u>	<u>\$1,844,204</u>	<u>\$341,194</u>	<u>\$7,795,043</u>	<u>\$121,938</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 16 - 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. An amortization schedule will be added when this loan is fully disbursed. The 2016 BonTon liftstation OWDA loan is a 20 year, \$190,112 loan with an interest rate of .71 percent. It is also being paid from operating revenues of the Sewer Fund.

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, 2016, are an overall debt margin of \$27,411,475 and an unvoted debt margin of \$11,564,590.

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, 2016

**NOTE 16 - 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
2017	\$38,545	\$17,343	\$16,088	\$0	\$6,077	\$2,557
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	88,619	23,159	32,176	0	12,854	4,414
2022-2026	496,026	62,863	160,879	0	67,236	19,103
2027-2031	54,860	1,029	48,263	0	72,450	13,886
2032-2036	0	0	0	0	78,071	8,267
2037-2041	0	0	0	0	66,796	2,274
<b>Totals</b>	<b>\$924,982</b>	<b>\$192,793</b>	<b>\$353,934</b>	<b>\$0</b>	<b>\$340,915</b>	<b>\$64,873</b>

  

Year	Arrowhead Hills OPWC		Millcreek Sewer OPWC		Kettlersville Sewer USDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$3,750	\$0	\$2,451	\$0	\$7,000	\$16,875
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	0	0	4,903	0	9,000	15,829
2022-2026	0	0	24,515	0	48,000	74,487
2027-2031	0	0	24,515	0	57,000	65,779
2032-2036	0	0	24,514	0	67,000	55,483
2037-2041	0	0	24,514	0	80,000	43,404
2042-2046	0	0	0	0	95,000	28,891
2047-2051	0	0	0	0	113,000	25,958
<b>Totals</b>	<b>\$7,500</b>	<b>\$0</b>	<b>\$120,121</b>	<b>\$0</b>	<b>\$500,000</b>	<b>\$375,813</b>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 16 - LONG-TERM DEBT OBLIGATIONS (Continued)**

Year	Arrowhead Hills OPWC		BonTon OWDA	
	Principal	Interest	Principal	Interest
2017	\$1,171		\$4,447	\$659
2018	2,341		8,942	1,271
2019	2,341		9,006	1,208
2020	2,341		9,070	1,144
2021	2,341		9,134	1,078
2022-2026	11,705		46,657	4,409
2027-2031	11,705		48,338	2,727
2032-2036	11,710		50,086	983
2037-2041	11,710		0	0
2042-2046	5,854		0	0
Totals	\$63,219	\$0	\$185,680	\$13,479

**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, 2016, was \$0 and \$60,427, respectively. In 2013, the County issued multi-family housing mortgage revenue bonds with the principal amount of \$10,990,000 outstanding as of December 31, 2016. 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 17 - 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
2017	\$ 624,000	\$ 23,400
2018	624,000	15,600
2019	624,000	7,800
Totals	\$1,872,000	\$46,800

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**NOTE 17 - INTERFUND TRANSACTIONS (Continued)**

An interfund payable of \$1,872,000 has been recorded in the Capital Improvement Tax Fund, and interfund receivables of \$1,198,080 and \$673,920 have been recorded in the Auto and Gas and Permanent Improvement Funds, respectively.

Other interfund balances at December 31, 2016, 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, 2016:

Interfund Payable	Interfund Receivable				Total
	General Fund	Public Assistance Fund	Auto License and Gas Fund	Nonmajor Governmental Funds	
General Fund	\$0	\$0	\$5,222	\$43,500	\$48,722
Public Assistance Fund	3,066	0	0	0	3,066
Developmental Disabilities Fund	0	0	1,940	0	1,940
Capital Improvement Tax Nonmajor Governmental Funds	0	0	1,198,080	673,920	1,872,000
	11,695	55,783	77	10,000	77,555
<b>Total</b>	<u>\$14,761</u>	<u>\$55,783</u>	<u>\$1,205,319</u>	<u>\$727,420</u>	<u>\$2,003,283</u>

The Public Assistance Fund had an interfund payable of \$263 to the Fair Haven Fund.

\$798,720 of the Auto License and Gas Fund interfund receivable is not expected to be paid within a year, and \$485,280 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 \$1,693,435 each. The General Fund had transfers out to non-major governmental funds of \$305,481 to subsidize other funds. The General Fund had transfers in of \$83,652 and the Sewer Fund had transfers in of \$114,846 from the nonmajor funds to help cover costs for 2016. The General Fund also had transfers in of \$2,500 from the nonmajor funds for reimbursements.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

**NOTE 18 – 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, 2016 were as follows:

Fund Balance	General	Public Assistance	Auto License and Gas Tax	Developmental Disabilities
<b>Non-Spendable</b>				
Inventory	\$58,223	\$4,416	\$297,212	\$0
Prepaid Items	114,109	56,403	33,185	46,589
Unclaimed Monies	85,279			
Long-Term Advances			798,720	
Long-Term Notes Receivable				
<b>Total Non-Spendable</b>	<u>257,611</u>	<u>60,819</u>	<u>1,129,117</u>	<u>46,589</u>
<b>Restricted for:</b>				
Roads, Bridges, and Culverts			4,179,800	
Ditch Maintenance				
Public Assistance		407,388		
Developmental Disabilities				11,901,717
Dog and Kennel				
Real Estate Assessment and Collection				
Judiciary Operations and Special Projects				
Public Safety				
Child Support Enforcement				
Community Development				
Debt Service				
Capital Improvements				
<b>Total Restricted</b>	<u>0</u>	<u>407,388</u>	<u>4,179,800</u>	<u>11,901,717</u>
<b>Committed to:</b>				
Sheriff Commissary				
<b>Total Committed</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Assigned for:</b>				
Subsequent Year Appropriations	1,914,836			
Unpaid Obligations	180,696			
Recycling Center	59,928			
Court Appointed Special Advocates Program	43,648			
Crimestoppers Rewards	12,412			
<b>Total Assigned</b>	<u>2,211,520</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Unassigned</b>	<u>2,328,105</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<u>\$4,797,236</u>	<u>\$468,207</u>	<u>\$5,308,917</u>	<u>\$11,948,306</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2016

**NOTE 18 – FUND BALANCE (Continued)**

Fund Balance	Capital Improvement Tax	Other Governmental Funds	Total
<b>Non-Spendable</b>			
Inventory			\$359,851
Prepaid Items		\$56,762	307,048
Unclaimed Monies			85,279
Long-Term Advances		485,280	1,284,000
Long-Term Notes Receivable		411,790	411,790
<b>Total Non-Spendable</b>	<u>0</u>	<u>953,832</u>	<u>2,447,968</u>
<b>Restricted for:</b>			
Roads, Bridges, and Culverts		76,380	4,256,180
Ditch Maintenance		438,772	438,772
Public Assistance			407,388
Developmental Disabilities			11,901,717
Dog and Kennel		18,149	18,149
Real Estate Assessment and Collection		768,036	768,036
Judiciary Operations and Special Projects		939,785	939,785
Public Safety		585,949	585,949
Child Support Enforcement		155,957	155,957
Community Development		357,146	357,146
Emergency Management		158,000	158,000
Capital Improvements	0	3,587,192	3,587,192
<b>Total Restricted</b>	<u>0</u>	<u>7,085,366</u>	<u>23,574,271</u>
<b>Committed to:</b>			
Sheriff Commissary		217,782	217,782
<b>Total Committed</b>	<u>0</u>	<u>217,782</u>	<u>217,782</u>
<b>Assigned for:</b>			
Subsequent Year Appropriations			1,914,836
Unpaid Obligations			180,696
Recycling Center			59,928
Court Appointed Special Advocates Program			43,648
Crimestoppers Rewards			12,412
<b>Total Assigned</b>	<u>0</u>	<u>0</u>	<u>2,211,520</u>
<b>Unassigned</b>	<u>(\$611,064)</u>	<u>0</u>	<u>1,717,041</u>
<b>Total Fund Balance</b>	<u>(\$611,064)</u>	<u>\$8,256,980</u>	<u>\$30,168,582</u>

**NOTE 19- SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2016, the County had contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/16
Burgess and Niple	Fair Road bridge	\$363,000	\$232,320	\$130,680
Lochard Incorporated	Courthouse fountains	22,800	5,616	17,184

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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NOTE 20 - JOINT VENTURES

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 2016, 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.

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

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

The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2016, a tax levy provided \$562,097 (25 percent of total tax revenue) for the operations of the organization.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2016, the County did not have any Board allocated payments to WestCON.

C. North Central Ohio Solid Waste Management District

The North Central Ohio Solid Waste Management District (the District) is a jointly governed organization among Shelby, Allen, Champaign, Hardin, Marion, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. During 2016, 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.

NOTE 22 - RELATED ORGANIZATION

The Shelby Metropolitan Housing Authority

The Shelby Metropolitan Housing Authority (SMHA) is a related organization of Shelby County. The SMHA is a legally separate body politic. The majority of the SMHA Board is appointed by Shelby County. The SMHA Board is composed of five representatives, who include: one member appointed by the Shelby County Common Pleas Court Judge; one member appointed by the Shelby County Commissioners; one member appointed by the Shelby County Probate Court Judge; and two members appointed by the Mayor of Sidney. The County is not able to impose its will on the SMHA and no financial benefit and/or burden relationship exists. The SMHA is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The general purpose of the SMHA is to provide decent, safe, and sanitary housing for qualified persons within the County. During 2016, the County did not have any financial contributions to the operation of the SMHA.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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NOTE 23 – 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.

NOTE 24 - 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, 2016, RSSI managed nine properties on behalf of Shelby County Board of Developmental Disabilities. There are no outstanding mortgages on any of these properties.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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NOTE 25 - CONTINGENCIES

A. Litigation

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

B. Grants

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

NOTE 26 – SUBSEQUENT EVENTS

On April 11, 2017, the County Commissioners approved entering into a contract for HVAC renovations to the Shelby County Annex building in the amount of \$1,908,000. These renovations are taking place during 2017 and the payments will be made from the Capital Improvement Fund and the Permanent Improvement Fund.

On May 4, 2017, the County Commissioners authorized the issuance of bonds in the amount not to exceed \$13,000,000 for the purpose of acquiring and constructing upgrades and improvements to the County Home of Shelby County, known as Fair Haven, together with necessary equipment and appurtenances thereto. The County plans to issue a portion of the bonds in 2017, with the remainder being issued in 2018.

On May 9, 2017, the County Commissioners approved a USDA loan of \$511,000 and a USDA grant of \$1,717,000 for the Newport Sewer Project.

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**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 Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.0108321%	.00987906%	.00952765%
County's proportionate share of the net pension liability	\$3,625,820	\$2,730,283	\$2,317,454
County's covered-employee payroll	\$1,117,193	\$1,030,714	\$980,507
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	325%	265%	236%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	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 Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
County's proportion of the net pension liability	0.13052%	.14423%	.14423%
County's proportionate share of the net pension liability	\$22,607,440	\$17,395,750	\$17,002,838
County's covered-employee payroll	\$18,959,634	\$18,537,315	\$18,249,944
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119%	94%	93%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	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 Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$156,407	\$144,300	\$137,271
Contributions in relation to the contractually required contributions	<u>\$156,407</u>	<u>\$144,300</u>	<u>\$137,271</u>
Contribution deficiency/excess	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
County's covered-employee payroll	\$1,117,193	\$1,030,714	\$980,507
Contributions as a percentage of covered-employee payroll	14.00%	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 Four Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$2,352,288	\$2,464,989	\$2,476,198	\$2,444,584
Contributions in relation to the contractually required contributions	<u>\$2,352,288</u>	<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>	<u>\$0</u>
County's covered-employee payroll	\$18,263,107	\$18,959,634	\$18,537,315	\$18,249,944
Contributions as a percentage of covered-employee payroll	12.88%	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, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
<b>SNAP Cluster</b>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5579		\$202,230
Total U.S. Department of Agriculture				202,230
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	B-F-15-1CR-1		75,000
Total U.S. Department of Housing and Urban Development				75,000
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Department of Youth Services</i>				
Juvenile Accountability Block Grants	16.523	2013-JB-015-B072		4,320
<i>Passed Through Ohio Department of Public Safety</i>				
Crime Victim Assistance	16.575	2016-VOCA-19811698		121,383
		2016-VOCA-27649722		424
		2016-VOCA-27649745		701
		2015-VOCA-19811624		60,397
		2017-VOCA-43555488		13,956
		2017-VOCA-43555910		41,356
Total Crime Victim Assistance				238,217
Total U.S. Department of Justice				242,537
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Ohio Department of Job and Family Services (Passed Through Area 7 Workforce Development Board)</i>				
<b>Workforce Investment Act Cluster</b>				
Workforce Investment Act-Adult Program	17.258	2015-7375-1 / 2016-7375-1		108,883
Workforce Investment Act-Adult Program Administrative	17.258	2015-7375-1 / 2016-7375-1		987
Workforce Investment Act-Adult Program Total				109,870
Workforce Investment Act-Youth Activities	17.259	2015-7375-1 / 2016-7375-1	\$57,357	95,601
Workforce Investment Act-Youth Activities Administrative	17.259	2015-7375-1 / 2016-7375-1		3,399
Workforce Investment Act-Youth Total			57,357	99,000
Workforce Investment Act-Dislocated Worker Formula Grants	17.278	2015-7375-1 / 2016-7375-1		95,397
Workforce Investment Act-Dislocated Worker Formula Grants - Administrative	17.278	2015-7375-1 / 2016-7375-1		590
Workforce Investment Act-Dislocated Worker Formula Grants Total				95,987
Total Workforce Investment Act Cluster			57,357	304,857
Total U.S. Department of Labor			57,357	304,857
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>Passed Through Ohio Department of Public Safety</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0502-15-01-00		4,981
Total U.S. Department of Transportation				4,981
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
<b>Special Education Cluster (IDEA)</b>				
Special Education_Preschool Grants	84.173	071159-PG-SI-16P		69,324
		071159-PG-SI-17P		31,229
Total Special Education Cluster (IDEA)				100,553
<i>Passed Through Ohio Department of Health</i>				
Special Education-Grants for Infants and Families	84.181	07510021HG0716		12,820
Total U.S. Department of Education				113,373

SHELBY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b><i>Passed Through Ohio Department of Mental Health and Addiction Services</i></b>				
Promoting Safe and Stable Families	93.556	5AU-16		15,297
		5AU-17		4,348
				<u>19,645</u>
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>				
Promoting Safe and Stable Families	93.556	G-1617-11-5579		36,679
Total Promoting Safe and Stable Families				<u>56,324</u>
<b>TANF Cluster</b>				
Temporary Assistance for Needy Families	93.558	G-1617-11-5579	80,153	933,700
Child Support Enforcement	93.563	G-1415-11-5426 / G-1617-11-5579		500,937
<b>CCDF Cluster</b>				
Child Care and Development Block Grant	93.575	G-1617-11-5579		73,533
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5579		39,683
Foster Care_Title IV-E	93.658	G-1617-11-5579		155,104
Chafee Foster Care Independence Program	93.674	G-1617-11-5579		23
Children's Health Insurance Program	93.767	G-1617-11-5579		74,020
Adoption Assistance	93.659	G-1617-11-5579		106,239
Social Services Block Grant	93.667	G-1617-11-5579		428,774
<b><i>Passed Through Ohio Department of Developmental Disabilities</i></b>				
Social Services Block Grant	93.667	CY2016 TXX		33,732
Total Social Services Block Grant				<u>462,506</u>
<b>Medicaid Cluster</b>				
Medical Assistance Program	93.778	CY2015 MAC		10,550
Medical Assistance Program		CY2016 MAC		9,777
				<u>20,327</u>
<b><i>Passed Through Ohio Department of Job and Family Services</i></b>				
Medical Assistance Program	93.778	G-1617-11-5579		537,756
Total Medicaid Cluster				<u>558,083</u>
<b><i>Passed Through Ohio Department of Aging</i></b>				
<b><i>(Passed Through Area Agency on Aging)</i></b>				
<b>Aging Cluster</b>				
Special Programs for the Aging_Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044			31,236
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045			67,359
Nutrition Services Incentive Program	93.053			10,361
Total Aging Cluster				<u>108,956</u>
Total U.S. Department of Health and Human Services			<u>80,153</u>	<u>3,069,108</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<b><i>Passed Through Ohio Department of Public Safety</i></b>				
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01		21,023
		EMC-2016-EP-00003-S01		22,687
Total Emergency Management Performance Grants				<u>43,710</u>
Total U.S. Department of Homeland Security				<u>43,710</u>
Total Expenditures of Federal Awards			<u>\$137,510</u>	<u>\$4,055,796</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, 2016

#### 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, 2016. 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 – SUB-RECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services and Area 7 Workforce Development 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 sub-awards 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 (HOME) WITH REVOLVING LOAN CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2016 is \$123,757.

#### 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 – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENTS

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to the County Federal funding from the U.S. Department of Health and Human Services. In June 2016, the County adjusted its Medical Assistance Program and Children's Health Insurance Program expenditures to more accurately report staff time under the correct program. These adjustments were retroactive to the beginning of the grant period (October 1, 2015). Therefore, these June 2016 adjustments affect 2015 calendar-year program expenditures previously reported as follows:

**SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Continued)**

**NOTE F – PRIOR YEAR PROGRAM EXPENDITURE ADJUSTMENTS (Continued)**

<b>Program</b>	<b>CFDA Number</b>	<b>Pass Through Number</b>	<b>2015 Federal Expenditures Reported</b>	<b>June 2016 Adjustment Amount</b>	<b>Adjusted 2015 Federal Expenditures Reported</b>
Medical Assistance Program	93.778	G-1617-11-5579	\$519,031	(\$8,029)	\$511,002
Children’s Health Insurance Program	93.767	G-1617-11-5579	0	10,355	10,355

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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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 31, 2017.

### ***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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

### ***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*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***County's Response to Finding***

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

***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

October 31, 2017



# 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, 2016. 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 affect each of its major federal programs for the year ended December 31, 2016.

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Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

**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

October 31, 2017

**SHELBY COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2016**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Temporary Assistance for Needy Families – CFDA #93.558 Child Support Enforcement – CFDA #93.563
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	Yes

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

**FINDING NUMBER 2016-001**

**Material Weakness - GASB 54 Error**

Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The County failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year in the amount of \$1,914,836. This amount should have been classified as assigned fund balance rather than unassigned fund balance in the general fund. The financial statements have been adjusted for this error.

**FINDING NUMBER 2016-001  
(Continued)**

Failure to properly classify fund balances could lead to misstated financial statements and misleading financial statement information.

The County should perform a review of all County funds and determine proper reporting of fund balances in accordance with GASB Statement 54 requirements and also review Auditor of State Bulletin 2011-004 for additional guidance.

**Officials' Response:**

The compiler has updated her quality control checklist to include subsequent year appropriations to estimated resources.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

# Shelby County Auditor



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**Amy L. Berning, Auditor**  
**Debra A. Francis, Chief Deputy**

129 East Court Street  
Sidney, OH 45365-3095  
Telephone: 937-498-7202  
Fax: 937-498-2255

Email: [aberning@shelbycountyauditors.com](mailto:aberning@shelbycountyauditors.com)

October 26, 2017

Auditor of State  
130 W. Second St, Suite 2040  
Dayton, Ohio 45402

This letter is to address the Corrective Action Plan regarding the material weakness pertaining to GASB 54.

The compiler has updated her quality control checklist to include subsequent year appropriations to estimated resources.

This Corrective Action Plan was completed on October 25, 2017.

The responsible contact person is Deb Francis.

Please be assured that Shelby County will follow up to ensure this plan is implemented.

If you have any questions, please feel free to contact Deb Francis by email at [dfrancis@shelbycountyauditors.com](mailto:dfrancis@shelbycountyauditors.com) or by phone at 937-498-7206.

Sincerely,

Amy L. Berning  
Shelby County Auditor

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# 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  
DECEMBER 7, 2017**