



Dave Yost • Auditor of State

**SHELBY COUNTY
DECEMBER 31, 2017**

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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 modified cash-basis financial statements of the governmental activities, 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, 2017, 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 the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 such 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 modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Shelby County, Ohio, as of December 31, 2017, and the respective changes in modified cash financial position and where applicable cash flows and the respective budgetary comparison for the General, Public Assistance, Auto License and Gas, and Developmental Disabilities funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2017, the County has elected to change its financial presentation to a modified cash basis comparable to the requirements of *Governmental Accounting Standards*. In addition, this change resulted in restated opening fund balances/net position. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the 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 this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, 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

September 14, 2018

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Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Shelby County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2017, within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

The County's total net position increased by \$9,516,979 during 2017. Net position of governmental activities increased by \$1,672,651 (about six percent). Net position of business-type activities increased by \$7,844,328 (about 398 percent). This increase was due to the receipt of general obligation bond proceeds that were issued to finance the additions and improvements at the Fair Haven County Home.

The General Fund transfers out equaled \$3,577,517. Of these transfers, \$3,333,838 were transfers of sales tax receipts to the Auto and Gas and non-major funds, and the remaining \$243,679 were transfers to subsidize various programs of the non-major governmental funds.

Business-type operations showed total operating revenue of \$7,683,035 and total operating expenses of \$10,200,330 for an operating loss of \$2,517,295. Total business-type unrestricted net position was \$929,727. This total includes \$678,696 for the Fair Haven Fund and \$251,031 for the Sewer Fund.

USING THIS ANNUAL FINANCIAL REPORT

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's modified cash basis of accounting. It consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the County.

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the County's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the County, reporting the County's operation in more detail than the government-wide statements.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
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As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

REPORTING THE COUNTY AS A WHOLE

The government-wide statements report information about the County as a whole, within the limitations of modified cash basis accounting. The statement of net position presents the cash balances of the County at year-end. The statement of activities compares cash disbursements with program receipts for the County's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors as well such as the County's tax base and the condition of the County's capital assets and the reliance on non-local financial resources for operations.

In the Government-wide Statement of Net Position and Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's programs and services are reported here including public safety, health, human services, economic development and assistance, public works, general government, capital outlay and debt service

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expense of the goods or services provided. The County's sewer services and adult daycare services are reported as business-type activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the County's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the County's activities. The County's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending in future periods. The County's major governmental funds are the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, the Developmental Disabilities Fund, and the Permanent Improvement Fund.

Enterprise Funds - When the County charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-type activities on the entity-wide statement of net position and statement of activities. The County's enterprise funds are the Fair Haven Fund and the Sewer Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government in purely a custodial nature. These activities are not included on the entity-wide statements because the assets cannot be utilized by the County to finance its operations.

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 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Assets						
Cash and Investments	\$30,416,768	\$28,744,117	\$9,816,850	\$1,972,522	\$40,233,618	\$30,716,639
Total Assets	30,416,768	28,744,117	9,816,850	1,972,522	40,233,618	30,716,639
Net Position						
Restricted for:						
Other Purposes	21,744,683	21,067,428	0	0	21,744,683	21,067,428
Debt Service	321,310	0	0	0	321,310	0
Capital Outlay	4,352,786	4,348,389	8,887,123	867,763	13,239,909	5,216,152
Unrestricted	3,997,989	3,328,300	929,727	1,104,759	4,927,716	4,433,059
Total Net Position	\$30,416,768	\$28,744,117	\$9,816,850	\$1,972,522	\$40,233,618	\$30,716,639

Total net position increased \$9,516,979. Net position of governmental activities increased \$1,672,651 (about six percent) during 2017.

Net position of business-type activities increased \$7,844,328, about 398 percent. This increase was due to the receipt of the proceeds of the general obligation bonds issued in December for the Fair Haven County Home additions and improvements. These bonds will be repaid from the receipts of Fair Haven.

Table 2 reflects the changes in net position in fiscal year 2017. Since this is the first year that the County has prepared the financial statements in this format, comparisons to the prior year are not available. Next year, when comparative data is available, it will be shown.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

Table 2
Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
	2017	2017	2017
Receipts			
Program Receipts:			
Charges for Services	\$8,698,973	\$7,568,325	\$16,267,298
Operating Grants, Contributions and Interest	12,596,889	0	12,596,889
Capital Grants and Contributions	0	1,404,899	1,404,899
Total Program Receipts	<u>21,295,862</u>	<u>8,973,224</u>	<u>30,269,086</u>
General Receipts:			
Property Taxes	6,602,754	0	6,602,754
Sales Taxes	10,102,692	0	10,102,692
Other Taxes	160,441	0	160,441
Grants and Entitlements	3,166,232	0	3,166,232
Investment Earnings	291,153	5,282	296,435
Other	149,088	114,710	263,798
Proceeds and premium on debt issues	321,310	9,115,088	9,436,398
Total General Receipts	<u>20,793,670</u>	<u>9,235,080</u>	<u>30,028,750</u>
Total Receipts	<u>42,089,532</u>	<u>18,208,304</u>	<u>60,297,836</u>
Disbursements:			
General Government:			
Legislative and Executive	5,062,817	0	5,062,817
Judicial	2,853,470	0	2,853,470
Public Safety	6,712,362	0	6,712,362
Public Works	8,723,302	0	8,723,302
Health	380,513	0	380,513
Human Services	13,609,500	0	13,609,500
Economic Development	838,297	0	838,297
Intergovernmental	209,220	0	209,220
Capital Outlay	1,339,090	0	1,339,090
Debt Service:			
Principal	624,000	0	624,000
Interest and Fiscal Charges	23,400	0	23,400
Fair Haven County Home	0	7,794,442	7,794,442
Sewer	0	2,610,444	2,610,444
Total Disbursements	<u>40,375,971</u>	<u>10,404,886</u>	<u>50,780,857</u>
Increase in Net Position before Transfers	1,713,561	7,803,418	9,516,979
Transfers	(40,910)	40,910	0
Increase in Net Position	1,672,651	7,844,328	9,516,979
Beginning Net Position (Restated)	28,744,117	1,972,522	30,716,639
Ending Net Position	<u>\$30,416,768</u>	<u>\$9,816,850</u>	<u>\$40,233,618</u>

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

Governmental Activities

Net position of the County's governmental activities increased \$1,672,651 during 2017, which is about six percent.

The following table shows total receipts by source for 2017:

Revenue Sources	2017	Percent of Total
Unrestricted grants and entitlements	\$3,166,232	7.52%
Program Revenues	21,295,862	50.60%
General Tax Revenues	16,865,887	40.07%
General Other	761,551	1.81%
Total Revenue	\$42,089,532	100.00%

Tax receipts accounted for \$16,865,887 of the \$42,089,532 in total receipts for governmental activities. Sales tax accounted for \$10,102,692, or approximately 60 percent of the total tax receipts, with property taxes and the permissive motor vehicle license tax making up the other 40 percent.

The program revenues are made up of \$8,698,973 in direct charges to users of governmental services and \$12,596,889 in grants and contributions restricted to specific programs.

The proceeds of debt issues of \$321,310 in the governmental funds relates to the Fair Haven County Home bonds. This amount was deposited in the Bond Retirement Fund and will be used to pay the December 2018 interest payment on the bonds. The County's debt obligations are discussed in the debt section of this management's discussion and analysis and also in Note 15 to the financial statements.

Human Services disbursements accounted for the largest share of disbursements at approximately 34 percent of total cash disbursements for 2017. Public works disbursements accounted for the next largest share at 22 percent of total disbursements. Public works expenditures are mostly for roads and bridges. Public safety was the third largest share of disbursements at about 17 percent of total disbursements. These expenditures are mostly for the Sheriff and Emergency Management.

Business-Type Activities

Debt proceeds were the largest source of receipts for the business-type activities during 2017, accounting for about 50 percent of total receipts. The debt proceeds are made up of \$8,866,010 from the Fair Haven County Home general obligation bond proceeds and \$249,078 from the Newport Sewer USDA loan. The bonds will be used to finance the construction of an addition and improvements at the County Home. Though the bonds are general obligation bonds backed by the full faith and credit of the County, the County intends to repay the bonds with the increased revenues at the County Home.

Charges for services were the next largest revenue source, accounting for about 42 percent of total business-type activities revenues. Capital grants and contributions accounted for about 8 percent of receipts. The capital grants are CDBG, OWDA, and USDA grants for the Newport Sewer project, which is being financed with a combination of grants and a loan. Interest and miscellaneous revenue accounted for less than one percent of revenues in 2017.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

If you look at the Statement of Activities you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. Since this is the first year the County has reported in this format, prior year information is not available. In future years, comparative information will be shown.

Table 3

	Governmental Activities	
	2017	
	Total Cost of Services	Net Cost of Services
General Government:		
Legislative and Executive	\$5,062,817	\$1,817,758
Judicial	2,853,470	1,487,643
Public Safety	6,712,362	3,717,381
Public Works	8,723,302	3,548,056
Health	380,513	175,380
Human Services	13,609,500	6,086,598
Economic Development	838,297	51,583
Intergovernmental	209,220	209,220
Capital Outlay	1,339,090	1,339,090
Debt Service:		
Principal Retirement	624,000	624,000
Interest and Fiscal Charges	23,400	23,400
Total Disbursements	\$40,375,971	\$19,080,109

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

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

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 18. All governmental funds had total receipts (excluding advances and transfers) of \$42,089,532 and disbursements of \$40,375,971.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2017

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 \$1,532,031 while total fund balance was \$3,934,556, an increase of \$626,377 from the prior year. The Public Assistance Fund balance decreased \$276,636 due to normal operations of the fund. The Auto License and Gas Fund balance increased \$553,237. The Developmental Disabilities fund balance increased \$806,913. The Permanent Improvement fund balance decreased by \$350,202.

The enterprise funds reflect an operating loss for 2017. Fair Haven had an operating loss of \$1,160,890. The Sewer Fund had an operating loss of \$1,356,405. Despite showing an operating loss, the enterprise funds had an increase in net position due to non-operating receipts in the form of debt proceeds and grants.

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 adopt 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 2017, the General Fund had original appropriations of \$16,942,811 and final appropriations of \$17,178,649. Actual expenditures plus encumbrances for 2017 were \$16,527,493.

Capital Assets and Debt Administration

Capital Assets

The County does not report capital assets on its modified cash basis financial statements. The County does track capital assets for insurance and internal purposes.

Debt

At December 31, 2017, Shelby County had \$1,248,000 in long-term governmental debt outstanding and \$11,590,590 in long-term enterprise debt outstanding:

Table 5
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
General Obligation Bonds	\$1,248,000	\$1,872,000	\$9,000,000	\$0
Loans	0	0	2,590,590	2,768,914
Totals	\$1,248,000	\$1,872,000	\$11,590,590	\$2,768,914

Shelby County, Ohio
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During 2017, the County issued \$9,000,000 general obligation bonds to fund the additions and improvements to Fair Haven. The bonds will be paid from the operating revenues of Fair Haven.

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.

The County's overall legal debt margin was \$19,052,029 as of December 31, 2017. The more restrictive unvoted legal debt margin was \$3,013,598 as of the same date.

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

Manuscript Debt

During 2014, the County issued \$3,120,000 general obligation bonds to fund the courthouse renovations. The Auto and Gas and Permanent Improvement Funds are the purchasing funds and the Capital Improvement Tax Fund is the borrowing fund. At December 31, 2017, the balance on these bonds is \$1,248,000.

CURRENT FINANCIAL ISSUES

Shelby County entered 2017 after having lost revenue collected through the Medicaid Managed Care Sales Tax. Federal opinion stated the State could no longer collect this revenue which had amounted to \$450,000 for Shelby County in 2016. In September the County stopped receiving this source and saw 2017 sales-tax revenues down by 9% compared to 2016. For these reasons we have been very conservative in forecasting revenues.

Sheriff's contracts continue to bring in revenue with the jail housing out-of-county prisoners and federal prisoners contributing \$972,025 to the general fund.

The Commissioners made necessary improvements to County infrastructure with the largest project being at the Shelby County Annex. The Annex received upgrades to HVAC, LED lighting, fire detection, security and ceiling tiles. Lead remediation was necessary to the lower level, first and fourth floors and mold remediation was needed in the lower level and various other improvements that completed this project. The project was paid utilizing funds from the Capital Improvement Fund and the Permanent Improvement Fund totaling \$2.3 million.

The County continues to work to upgrade our emergency communications infrastructure with work done to Russia, Anna and the Riverside tower locations.

The County has contracted to build a wastewater collection system in Newport which will transport Newport's sewage to the Fort Loramie Wastewater Treatment Facility at a cost of \$2,675,000.

Bob Geuy, County Engineer, is working with CSX Railroad to rehabilitate the bridge located on Fair Road at the Middle School and hopes to bid this project late in 2018 for construction in 2019 at an anticipated cost of \$3.2 million.

Shelby County, Ohio
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Shelby County's Nursing Home, Fair Haven, continues in its plans to renovate the facility. \$9 million in bonds were recently issued to facilitate funding of the project with plans to sell \$4 million in 2018. Fair Haven will have one wing of the facility torn down in Phase 1 with a new wing built and renovations done to portions of the remaining structure with the initial contract bid of \$11,212,000.

A local non-profit, SCARF, has been conducting a fund-raising campaign for a new Animal Shelter and Adoption Center. Plans are progressing and hopes are that the construction will begin in summer 2018.

For 2018, the County has projected General Fund revenues of approximately \$15 million. We anticipate being very busy with the numerous building projects that are planned.

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

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Shelby County, Ohio
Statement of Net Position - Modified Cash Basis
 December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$30,362,014	\$8,457,286	\$38,819,300
Cash and Cash Equivalents in Segregated Accounts	49,439	7,202	56,641
Investments in Segregated Accounts	5,315	1,352,362	1,357,677
<i>Total Assets</i>	<u>\$30,416,768</u>	<u>\$9,816,850</u>	<u>\$40,233,618</u>
Net Position			
Restricted for:			
Debt Service	\$321,310	\$0	\$321,310
Capital Outlay	4,352,786	8,887,123	13,239,909
Other Purposes	21,744,683	0	21,744,683
Unrestricted	3,997,989	929,727	4,927,716
<i>Total Net Position</i>	<u>\$30,416,768</u>	<u>\$9,816,850</u>	<u>\$40,233,618</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$5,062,817	\$3,243,899	\$1,160	\$0
Judicial	2,853,470	700,227	665,600	0
Public Safety	6,712,362	2,296,058	698,923	0
Public Works	8,723,302	766,668	4,408,578	0
Health	380,513	190,220	14,913	0
Human Services	13,609,500	1,501,901	6,021,001	0
Economic Development	838,297	0	786,714	0
Intergovernmental	209,220	0	0	0
Capital Outlay	1,339,090	0	0	0
Debt Service:				
Principal Retirement	624,000	0	0	0
Interest and Fiscal Charges	23,400	0	0	0
<i>Total Governmental Activities</i>	<u>40,375,971</u>	<u>8,698,973</u>	<u>12,596,889</u>	<u>0</u>
Business-type activities:				
Fair Haven	7,794,442	6,587,699	0	0
Sewer	2,610,444	980,626	0	1,404,899
<i>Total business-type activities</i>	<u>10,404,886</u>	<u>7,568,325</u>	<u>0</u>	<u>1,404,899</u>
<i>Total primary government</i>	<u>\$50,780,857</u>	<u>\$16,267,298</u>	<u>\$12,596,889</u>	<u>\$1,404,899</u>

General Receipts:
Property Taxes Levied for:
 General Purposes
 Other Purposes
Permissive Sales Taxes
Permissive Motor Vehicle License Tax
Grants and Entitlements not Restricted to Specific Programs
Proceeds of Loans
Unrestricted Investment Earnings
Payment in Lieu of Taxes
Proceeds of Bonds
Premium on Sale of Bonds
Miscellaneous
Transfers
Total General Receipts

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 (Disbursements) Receipts and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$1,817,758)	\$0	(\$1,817,758)
(1,487,643)	0	(1,487,643)
(3,717,381)	0	(3,717,381)
(3,548,056)	0	(3,548,056)
(175,380)	0	(175,380)
(6,086,598)	0	(6,086,598)
(51,583)	0	(51,583)
(209,220)	0	(209,220)
(1,339,090)	0	(1,339,090)
	0	
(624,000)	0	(624,000)
(23,400)	0	(23,400)
<u>(19,080,109)</u>	<u>0</u>	<u>(19,080,109)</u>
0	(1,206,743)	(1,206,743)
0	(224,919)	(224,919)
0	(1,431,662)	(1,431,662)
<u>(19,080,109)</u>	<u>(1,431,662)</u>	<u>(20,511,771)</u>
2,278,693	0	2,278,693
4,324,061	0	4,324,061
10,102,692	0	10,102,692
160,441	0	160,441
3,166,232	0	3,166,232
0	249,078	249,078
291,153	5,282	296,435
0	0	0
321,310	8,678,690	9,000,000
0	187,320	187,320
149,088	114,710	263,798
(40,910)	40,910	0
<u>20,752,760</u>	<u>9,275,990</u>	<u>30,028,750</u>
1,672,651	7,844,328	9,516,979
<u>28,744,117</u>	<u>1,972,522</u>	<u>30,716,639</u>
<u>\$30,416,768</u>	<u>\$9,816,850</u>	<u>\$40,233,618</u>

Shelby County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Public Assistance	Auto License and Gas
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,899,262	\$198,368	\$4,989,468
Cash and Cash Equivalents in Segregated Accounts	29,979	0	0
Investments in Segregated Accounts	5,315	0	0
<i>Total Assets</i>	<u>\$3,934,556</u>	<u>\$198,368</u>	<u>\$4,989,468</u>
Fund Balances			
Nonspendable	\$90,638	\$0	\$0
Restricted	0	198,368	4,989,468
Committed	0	0	0
Assigned	2,311,887	0	0
Unassigned	1,532,031	0	0
<i>Total Fund Balances</i>	<u>\$3,934,556</u>	<u>\$198,368</u>	<u>\$4,989,468</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$12,666,685	\$3,393,247	\$5,214,984	\$30,362,014
0	0	19,460	49,439
0	0	0	5,315
<u>\$12,666,685</u>	<u>\$3,393,247</u>	<u>\$5,234,444</u>	<u>\$30,416,768</u>
\$0	\$0	\$0	\$90,638
12,666,685	3,393,247	5,080,373	26,328,141
0	0	154,071	154,071
0	0	0	2,311,887
0	0	0	1,532,031
<u>\$12,666,685</u>	<u>\$3,393,247</u>	<u>\$5,234,444</u>	<u>\$30,416,768</u>

Shelby County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Public Assistance	Auto License and Gas
Receipts			
Property and Other Taxes	\$2,278,693	\$0	\$160,441
Permissive Sales Tax	8,418,897	0	0
Intergovernmental	1,846,624	2,970,062	4,393,602
Charges for Services	3,932,037	501,713	205,525
Licenses and Permits	54,248	0	0
Fines and Forfeitures	137,336	0	0
Special Assessments	0	0	0
Interest	282,729	0	14,976
Other	285,258	34,911	165,540
<i>Total Receipts</i>	<u>17,235,822</u>	<u>3,506,686</u>	<u>4,940,084</u>
Disbursements			
Current:			
General Government:			
Legislative and Executive	4,487,857	0	0
Judicial	2,212,338	0	0
Public Safety	4,981,856	0	0
Public Works	671,637	0	6,075,066
Health	169,893	0	0
Human Services	639,127	3,783,322	0
Economic Development	0	0	0
Intergovernmental	209,220	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Disbursements</i>	<u>13,371,928</u>	<u>3,783,322</u>	<u>6,075,066</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,863,894</u>	<u>(276,636)</u>	<u>(1,134,982)</u>
Other Financing Sources (Uses)			
Proceeds of Bonds	0	0	0
Proceeds from Sale of Capital Assets	0	0	21,300
Advances - In	0	0	0
Advances - Out	(12,000)	0	0
Transfers - In	352,000	0	1,666,919
Transfers - Out	(3,577,517)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,237,517)</u>	<u>0</u>	<u>1,688,219</u>
<i>Net Change in Fund Balances</i>	626,377	(276,636)	553,237
<i>Fund Balances Beginning of Year-Restated (Note 3)</i>	<u>3,308,179</u>	<u>475,004</u>	<u>4,436,231</u>
<i>Fund Balances End of Year</i>	<u>\$3,934,556</u>	<u>\$198,368</u>	<u>\$4,989,468</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$4,324,061	\$0	\$0	\$6,763,195
0	1,683,795	0	10,102,692
3,416,892	0	2,887,287	15,514,467
75,405	0	1,498,535	6,213,215
0	0	152,246	206,494
0	0	194,424	331,760
0	0	337,139	337,139
0	8,424	0	306,129
412,939	0	970,286	1,868,934
8,229,297	1,692,219	6,039,917	41,644,025
0	0	574,960	5,062,817
0	0	641,132	2,853,470
0	0	1,730,506	6,712,362
0	1,568,323	408,276	8,723,302
0	0	210,620	380,513
7,525,281	0	1,661,770	13,609,500
0	0	838,297	838,297
0	0	0	209,220
0	0	1,339,090	1,339,090
0	0	624,000	624,000
0	0	23,400	23,400
7,525,281	1,568,323	8,052,051	40,375,971
704,016	123,896	(2,012,134)	1,268,054
0	0	321,310	321,310
102,897	0	0	124,197
0	218,000	281,188	499,188
0	(281,188)	(206,000)	(499,188)
0	0	1,930,598	3,949,517
0	(410,910)	(2,000)	(3,990,427)
102,897	(474,098)	2,325,096	404,597
806,913	(350,202)	312,962	1,672,651
11,859,772	3,743,449	4,921,482	28,744,117
\$12,666,685	\$3,393,247	\$5,234,444	\$30,416,768

Shelby County, Ohio
*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$2,265,200	\$2,265,200	\$2,278,693	\$13,493
Permissive Sales Tax	7,630,000	7,863,838	8,418,897	555,059
Intergovernmental	1,715,524	1,715,524	1,745,953	30,429
Charges for Services	2,737,650	2,737,650	3,271,042	533,392
Licenses and Permits	60,800	60,800	54,248	(6,552)
Fines and Forfeitures	134,000	134,000	132,142	(1,858)
Interest	155,000	155,000	272,642	117,642
Other	109,150	109,150	175,712	66,562
<i>Total Receipts</i>	14,807,324	15,041,162	16,349,329	1,308,167
Disbursements				
Current:				
General Government:				
Legislative and Executive	4,522,285	4,493,680	4,230,212	263,468
Judicial	2,245,606	2,250,731	2,215,199	35,532
Public Safety	4,821,963	4,841,992	4,780,752	61,240
Public Works	732,399	738,350	685,337	53,013
Health	178,471	178,471	169,893	8,578
Human Services	739,128	731,628	652,363	79,265
Intergovernmental	235,220	235,220	209,220	26,000
<i>Total Disbursements</i>	13,475,072	13,470,072	12,942,976	527,096
<i>Excess of Receipts Over Disbursements</i>	1,332,252	1,571,090	3,406,353	1,835,263
Other Financing Sources (Uses)				
Advances Out	0	(2,000)	(2,000)	0
Transfers - In	0	0	2,000	2,000
Transfers - Out	(3,467,739)	(3,706,577)	(3,582,517)	124,060
<i>Total Other Financing Sources (Uses)</i>	(3,467,739)	(3,708,577)	(3,582,517)	126,060
<i>Net Change in Fund Balance</i>	(2,135,487)	(2,137,487)	(176,164)	1,961,323
<i>Fund Balance Beginning of Year</i>	2,003,684	2,003,684	2,003,684	0
Prior Year Encumbrances Appropriated	177,349	177,349	177,349	0
<i>Fund Balance End of Year</i>	\$45,546	\$43,546	\$2,004,869	\$1,961,323

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Public Assistance Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$3,256,155	\$3,256,155	\$2,858,350	(\$397,805)
Charges for Services	591,494	591,494	501,713	(89,781)
Other	61,580	61,580	78,538	16,958
<i>Total Receipts</i>	3,909,229	3,909,229	3,438,601	(470,628)
Disbursements				
Current:				
Human Services	3,954,545	4,120,685	3,788,781	331,904
<i>Excess of Receipts Under Disbursements</i>	(45,316)	(211,456)	(350,180)	(138,724)
<i>Fund Balance at Beginning of Year</i>	419,899	419,899	419,899	0
Prior Year Encumbrances Appropriated	53,585	53,585	53,585	0
<i>Fund Balance at End of Year</i>	<u>\$428,168</u>	<u>\$262,028</u>	<u>\$123,304</u>	<u>(\$138,724)</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Auto License and Gas Fund
For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Taxes	\$150,000	\$150,000	\$160,441	\$10,441
Intergovernmental	4,247,576	4,247,576	4,393,602	146,026
Charges for Services	190,000	190,000	205,550	15,550
Interest	18,000	18,000	14,976	(3,024)
Other	30,000	30,000	165,540	135,540
<i>Total Receipts</i>	4,635,576	4,635,576	4,940,109	304,533
Disbursements				
Current:				
Public Works	10,671,737	10,671,736	6,312,826	4,358,910
<i>Excess of Receipts Under Disbursements</i>	(6,036,161)	(6,036,160)	(1,372,717)	4,663,443
Other Financing Sources				
Transfers In	1,600,000	1,600,000	1,666,919	66,919
Proceeds from Sale of Capital Assets	0	0	21,300	21,300
<i>Total Other Financing Sources</i>	1,600,000	1,600,000	1,688,219	88,219
<i>Net Change in Fund Balance</i>	(4,436,161)	(4,436,160)	315,502	4,751,662
<i>Fund Balance at Beginning of Year</i>	4,293,176	4,293,176	4,293,176	0
Prior Year Encumbrances Appropriated	143,030	143,030	143,030	0
<i>Fund Balance at End of Year</i>	<u>\$45</u>	<u>\$46</u>	<u>\$4,751,708</u>	<u>\$4,751,662</u>

See accompanying notes to the basic financial statement:

Shelby County, Ohio
Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Developmental Disabilities Fund
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Taxes	\$4,209,500	\$4,209,500	\$4,324,061	\$114,561
Intergovernmental	2,849,629	2,849,629	3,169,382	319,753
Charges for Services	50,000	50,000	75,405	25,405
Other	450,685	450,685	411,796	(38,889)
<i>Total Receipts</i>	<u>7,559,814</u>	<u>7,559,814</u>	<u>7,980,644</u>	<u>420,830</u>
Disbursements				
Current:				
Human Services	6,290,804	6,623,904	6,245,527	378,377
<i>Excess of Receipts Over Disbursements</i>	<u>1,269,010</u>	<u>935,910</u>	<u>1,735,117</u>	<u>799,207</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	102,897	102,897
Advances - In	17,700	48,802	48,802	0
Transfers - Out	(1,427,698)	(1,446,644)	(1,446,644)	0
Advances - Out	(49,427)	(69,662)	(69,662)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,459,425)</u>	<u>(1,467,504)</u>	<u>(1,364,607)</u>	<u>102,897</u>
<i>Net Change in Fund Balance</i>	(190,415)	(531,594)	370,510	902,104
<i>Fund Balance at Beginning of Year</i>	7,617,550	7,617,550	7,617,550	0
Prior Year Encumbrances Appropriated	54,664	54,664	54,664	0
<i>Fund Balance at End of Year</i>	<u>\$7,481,799</u>	<u>\$7,140,620</u>	<u>\$8,042,724</u>	<u>\$902,104</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
December 31, 2017

	Fair Haven	Sewer	Total
Current Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,206,255	\$251,031	\$8,457,286
Cash and Cash Equivalents in Segregated Accounts	7,202	0	7,202
Investments in Segregated Accounts	1,352,362	0	1,352,362
<i>Total Assets</i>	<u>9,565,819</u>	<u>251,031</u>	<u>9,816,850</u>
Net Position			
Restricted for Capital Improvements Endowment	195,113	0	195,113
Restricted for Capital Improvements	8,692,010	0	8,692,010
Unrestricted	678,696	251,031	929,727
<i>Total Net Position</i>	<u>\$9,565,819</u>	<u>\$251,031</u>	<u>\$9,816,850</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Receipts, Disbursements, and Changes in Fund Net Position
Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2017

	Fair Haven	Sewer	Total
Operating Receipts			
Charges for Services	\$6,587,699	\$980,626	\$7,568,325
Other	45,853	68,857	114,710
<i>Total Operating Receipts</i>	<u>6,633,552</u>	<u>1,049,483</u>	<u>7,683,035</u>
Operating Disbursements			
Personal Services	5,058,997	353,252	5,412,249
Contractual Services	924,206	1,980,502	2,904,708
Materials and Supplies	691,517	39,540	731,057
Capital Outlay	769,209	31,274	800,483
Other	350,513	1,320	351,833
<i>Total Operating Disbursements</i>	<u>7,794,442</u>	<u>2,405,888</u>	<u>10,200,330</u>
<i>Operating Loss</i>	<u>(1,160,890)</u>	<u>(1,356,405)</u>	<u>(2,517,295)</u>
Non-Operating Receipts (Disbursements)			
Interest	5,282	0	5,282
Capital Grants and Contributions	0	1,404,899	1,404,899
Proceeds of Loans	0	249,078	249,078
Proceeds of General Obligation Bonds	8,678,690	0	8,678,690
Premium on Bonds	187,320	0	187,320
Principal Retirement	0	(147,346)	(147,346)
Interest and Fiscal Charges	0	(57,210)	(57,210)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>8,871,292</u>	<u>1,449,421</u>	<u>10,320,713</u>
<i>Income Before Transfers</i>	7,710,402	93,016	7,803,418
Transfers In	<u>0</u>	<u>40,910</u>	<u>40,910</u>
<i>Change in Net Position</i>	7,710,402	133,926	7,844,328
<i>Net Position Beginning of Year</i>	<u>1,855,417</u>	<u>117,105</u>	<u>1,972,522</u>
<i>Net Position End of Year</i>	<u>\$9,565,819</u>	<u>\$251,031</u>	<u>\$9,816,850</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Cash Flows - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2017

	Fair Haven	Sewer	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities			
Cash Received from Customers and Support	\$6,587,699	\$980,626	\$7,568,325
Cash Received from Other Operating Receipts	45,853	68,857	114,710
Cash Payments for Employee Services and Benefits	(5,058,997)	(353,252)	(5,412,249)
Cash Payments to Suppliers	(2,384,932)	(2,051,316)	(4,436,248)
Cash Payments for Other Operating Disbursements	(350,513)	(1,320)	(351,833)
<i>Net Cash Used in Operating Activities</i>	<u>(1,160,890)</u>	<u>(1,356,405)</u>	<u>(2,517,295)</u>
Cash Flows from Noncapital Financing Activities			
Transfers In	0	40,910	40,910
Cash Flows from Capital and Related Financing Activities			
Bonds Proceeds	8,866,010	0	8,866,010
Loan Proceeds	0	249,078	249,078
Capital Grants and Contributions	0	1,404,899	1,404,899
Loan Principal Repayment	0	(147,346)	(147,346)
Loan Interest Payments	0	(57,210)	(57,210)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>8,866,010</u>	<u>1,449,421</u>	<u>10,315,431</u>
Cash Flows from Investing Activities			
Interest	5,282	0	5,282
<i>Net Increase in Cash and Cash Equivalents</i>	7,710,402	133,926	7,844,328
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,855,417</u>	<u>117,105</u>	<u>1,972,522</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$9,565,819</u>	<u>\$251,031</u>	<u>\$9,816,850</u>

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$37,449	\$3,823,408
Cash and Cash Equivalents in Segregated Accounts	0	575,552
Investments in Segregated Accounts	0	98,618
<i>Total Assets</i>	<u>37,449</u>	<u>\$4,497,578</u>
Liabilities		
Current Liabilities		
Due to Other Governments	\$0	\$2,802,294
Undistributed Monies	0	1,657,596
Deposits Held and Due to Others	0	37,688
<i>Total Current Liabilities</i>	<u>0</u>	<u>4,497,578</u>
Net Position		
Held in Trust for Pool Participants	<u>\$37,449</u>	

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Changes in Fiduciary Net Position
Modified Cash Basis
Private Purpose Trust Fund
For the Year Ended December 31, 2017

	Private Purpose Trust
Additions:	
Donations	\$5,887
Deductions:	
Distributions to Participants	7,723
Change in Net Position	(1,836)
Net Position Beginning of Year	39,285
Net Position End of Year	\$37,449

See accompanying notes to the basic financial statements

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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 18 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 19 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 20. 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 County Employee Benefits Consortium of Ohio (CEBCO) 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 21.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the County's financial report to follow accounting principles generally accepted in the United States of America, the County chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The County recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County also reports long-term investments as assets, valued at cost.

Basis of Presentation

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

Government-Wide Financial Statements

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

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 disbursements and program receipts for each program or function of the County's governmental activities and for the business-type activities of the County. These disbursements are specifically associated with a service, program or department and therefore clearly identifiable to a particular program. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental program or business segment is self-financing or draws from the general receipts of the County.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as charges for services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the County's major governmental funds:

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

Public Assistance Fund – This fund is used to account for various federal and state grants 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 receipts derived from permissive sales and use tax via transfers from the general fund, motor vehicle licenses, gasoline taxes and investment receipts. Disbursements 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. Receipts include a county-wide property tax levy and federal and state grants.

Permanent Improvement Fund – This fund is used to account for the .25 percent sales tax receipts that the County has set aside for permanent 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 receipts 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities or individuals. 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 cash and investments 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 cash and investments 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.

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."

Investments are reported at cost. During 2017, 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, U.S. Treasury Notes, STAR Ohio, commercial paper, and certificates of deposit.

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 receipts of \$282,729 were credited to the General Fund during 2017, which includes \$253,355 assigned from other County funds.

Inventory of Supplies and Materials

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

On the modified cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as disbursements when made.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified cash basis of accounting.

Pensions

For purposes of measuring the net pension liability, 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.

Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

Net Position

Net position 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 resources are available.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the county, these receipts are sewer treatment and charges for services for the County Home. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Fund Balance

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

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

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

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

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

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

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts 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 2017.

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 PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET POSITION

For 2017, the County has prepared its financial statements on the modified –cash basis of accounting. The following changes to fund balances were the result of converting from generally accepted accounting principles (GAAP) to modified-cash accounting:

<u>Fund Balances</u>	Previously reported Balance 12/31/16	Restatement	Restated Balance at 12/31/16
General Fund	\$4,797,236	(\$1,489,057)	\$3,308,179
Public Assistance Fund	468,207	6,797	475,004
Auto License and Gas Tax Fund	5,308,917	(872,686)	4,436,231
Developmental Disabilities Fund	11,948,306	(88,534)	11,859,772
Capital Improvement Capital Projects Fund *	(611,064)	611,064	0
Permanent Improvement Fund *	0	3,743,449	3,743,449
Other Governmental Funds	8,256,980	(3,335,498)	4,921,482
Total Governmental Funds	<u>\$30,168,582</u>	<u>(\$1,424,465)</u>	<u>\$28,744,117</u>

*The Capital Improvement Fund is no longer a major fund for 2017, and the Permanent Improvement Fund is a new major fund for 2017.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES/NET POSITION (Continued)

<u>Fund Balance</u>	Previously reported Balance 12/31/16	Restatement	Restated Balance at 12/31/16
Fair Haven County Home Fund	\$1,415,678	\$439,739	\$1,855,417
Sewer Fund	8,138,439	(8,021,334)	117,105
Total Enterprise Funds	<u>\$9,554,117</u>	<u>(\$7,581,595)</u>	<u>\$1,972,522</u>
<u>Net Position</u>			
Governmental Activities	\$91,228,444	(\$62,484,327)	\$28,744,117
Business-Type Activities	9,554,117	(7,581,595)	1,972,522
Total Government-Wide	<u>\$100,782,561</u>	<u>(\$70,065,922)</u>	<u>\$30,716,639</u>

NOTE 4 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the end of the year, and non-budgeted activity of some of the departments off-book cash accounts. Differences between receipts reported in the fund and entity wide statements versus budgetary receipts are due to unrecorded cash at the beginning and end of the year. Perspective differences arise from the activity of some funds being included with the General Fund on the modified cash basis because those funds do not meet the requirements to be presented as a separate fund and from the activity of some funds being combined with the Public Assistance Fund, the Auto License and Gas Fund, and the Developmental Disabilities Fund because they are so 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 given fund.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Adjustments necessary to convert the changes in fund balance on a budgetary basis to the changes in fund balances on the modified cash basis for the General Fund, the Public Assistance Fund, the Auto License and Gas Fund, and the Developmental Disabilities Fund are as follows:

	General	Public Assistance	Auto License and Gas	Developmental Disabilities
Modified Cash Basis	\$626,377	(\$276,636)	\$553,237	\$806,913
Adjustments:				
Encumbrances	(157,985)	(74,763)	(237,761)	(61,300)
Unrecorded Cash 2016	80,534	60	26	0
Unrecorded Cash 2017	(99,241)	(299)	0	0
Perspective Differences	(625,849)	1,458	0	(375,103)
Budget Basis	<u>(\$176,164)</u>	<u>(\$350,180)</u>	<u>\$315,502</u>	<u>\$370,510</u>

NOTE 6 - 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.

Inactive monies may be deposited or invested with certain limitations in the following securities:

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;
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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts in eligible institutions pursuant to ORC section 135.32;
6. 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 or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments 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 forty 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, 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. Up to fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions doing business under authority granted by the U.S. provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. A current unpaid or delinquent tax line of credit, provided certain conditions are met related to a County land reutilization corporation organized under ORC Chapter 1724; and,
12. Up to two percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - 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. Bankers' acceptances must mature within 180 days. Commercial paper and corporate notes must mature within 270 days. 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, 2017, the carrying amount of the County's deposits was \$29,590,823 and the bank balance was \$30,157,607.

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, 2017, \$21,357,330 of the government's bank balance of \$30,157,607 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, 2017, the County had the following investments and maturities:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years
Federal Farm Credit Bank	\$3,300,733	\$1,000,000	\$1,300,733	\$1,000,000
Federal Home Loan Bank	799,609	199,698	99,911	500,000
Federal Home Loan Mortgage Corporation	6,504,582	713,756	4,098,112	1,692,714
Federal National Mortgage Association	2,495,709	896,806	1,598,903	0
U.S. Treasury Note	99,793	99,793	0	0
First American Treasury Obligation	162,563	162,563	0	0
STAR Ohio	5,001	5,001	0	0
Toyota Motor Credit commercial paper	494,844	494,844	0	0
Total	\$13,862,834	\$3,572,461	\$7,097,659	\$3,192,714

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The County places no limit on the amount it may invest in any one issuer. 47% of the County's investments at December 31, 2017, were in the Federal Home Loan Mortgage Corporation, 24% were in the Federal Farm Credit Bank, 18% were in the Federal National Mortgage Association, and 6% were in the Federal Home Loan Bank.

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, 2017. The County's investment in Toyota Motor Credit commercial paper was rated Aa3 and P-1 by Moody's Investor Service at December 31, 2017.

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	\$43,312,350	\$1,456,295
Cash on Hand	(66,988)	0
Manuscript Debt	(1,248,000)	0
Investments:		
Certificates of Deposit	503,933	(503,933)
Federal Farm Credit Bank	(3,200,019)	3,200,019
Federal Home Loan Bank	(599,849)	599,849
Federal Home Loan Mortgage Corporation	(6,108,228)	6,108,228
Federal National Mortgage Association	(2,395,581)	2,395,581
First American Treasury Obligation Fund	(106,950)	106,950
STAR Ohio	(5,001)	5,001
Toyota Motor Credit Commercial Paper	(494,844)	494,844
GASB Statement No. 3	\$29,590,823	\$13,862,834

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2016 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Public utility property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2016, and are collected in 2017 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 distributes to the taxing districts their portion of the taxes collected in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate for all County operations for the year ended December 31, 2017 was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$928,800,700	79.44
Other Real Property	198,187,470	16.95
Public Utility Personal Property	42,240,600	3.61
Total Assessed Value	<u>\$1,169,228,770</u>	<u>100.00%</u>

NOTE 8 - 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, 2017

NOTE 8 - 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 2017. The .50 percent was then transferred from the General Fund to the Auto and Gas Fund and the Capital Improvement Tax Fund. Sales and use tax receipts in 2017 amounted to \$8,418,897 in the General Fund and \$1,683,795 in the Permanent Improvement Fund.

NOTE 9 – 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. For the year ended December 31, 2017, the County abated property taxes totaling \$22,658 under this program.

Tax Abatements of Other Governments

For the year ended December 31, 2017, County property tax receipts were reduced by \$4,071 under tax abatement agreements entered into by the Village of Anna, by \$12,933 under agreements entered into by the City of Sidney, by \$6,209 under agreements entered into by the Village of Botkins, by \$17,467 under agreements entered into by the Village of Jackson Center, and by \$502 under an agreement entered into by the Village of Russia, for a total of \$41,182.

NOTE 10 - 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 County is accounting for the manuscript debt using the investment method. More information about this manuscript debt can be found in Note 15.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 10 - INTERFUND TRANSACTIONS (Continued)

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2017, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$0	\$31,500
Other Governmental Funds	116,688	85,188
Total Governmental Funds	\$116,688	\$116,688

The interfund receivables and payables are the repayment of advances. All but \$28,000 of the interfund payable from the General Fund to the other governmental funds is expected to be repaid within a year.

Transfers in and out during the year ended December 31, 2017, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$352,000	\$3,577,517
Auto License and Gas Fund	1,666,919	0
Permanent Improvement Fund	0	410,910
Other Governmental Funds	1,930,598	2,000
Total Governmental Funds	\$3,949,517	\$3,990,427

The Sewer Enterprise Fund had a transfer in of \$40,910 during the 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

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 2017, 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 11 - RISK MANAGEMENT (Continued)

Coverage provided by the insurance pool is as follows:

Liability	
General Liability	\$2,000,000
Public Official Errors and Omissions Liability	2,000,000
Law Enforcement Liability	2,000,000
Employee Benefit Liability	2,000,000
Auto Liability	2,000,000
Ohio Stop Gap	2,000,000
Crime	
Employee Dishonesty	2,000,000
Depositors Forgery	2,000,000
Money and Securities	25,000
Cyber Liability and Privacy	2,000,000
Excess Liability	5,000,000
Excess Healthcare Professional Liability	3,000,000
Excess Crime Liability	500,000
Pollution Liability	1,000,000
Property – replacement value (up to \$500,000,000)	
Flood– separate pool aggregates	50,000,000
Earthquake – separate pool aggregates	100,000,000
Boiler and Machinery	100,000,000

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

Health Care Benefits

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation and insurance purchasing pool (Note 21). The intent of the CEBCO is to achieve the benefit of reduced health insurance premiums by pooling resources to purchase employee benefits. The County pays the annual actuarially determined rate on a monthly basis. Components of the funding rate include the claims fund distribution, incurred but unreported claims, a claim contingency reserve fund, and the fixed cost of the consortium.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability 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.

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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):

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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

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

	State and Local	Law Enforcement
2017 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	**
 2017 Actual Contribution Rates		
Employer:		
Pension	13.0 %	17.1 %
Post-employment Health Care Benefits	1.0	1.0
Total Employer	14.0 %	18.1 %
Employee	10.0 %	13.0 %

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

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

The County's contractually required contribution was \$2,390,978 for 2017.

Plan Description - State Teachers Retirement System (STRS)

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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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, 2017

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, 2017, plan members were required to contribute 14 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 \$154,257 for 2017.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, 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, 2017, 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 (including agencies of the County) relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$32,180,642	\$2,362,224	\$34,542,866
Proportion of the Net Pension Liability	0.1417150%	0.0099400%	

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Mortality rates were based on the RP-2014 Health Mortality Annuitant mortality table. For males, Healthy Annuitant Mortality Tables were used, adjusted for mortality improvement back to the observation period base of 2006, and then adjusted the base year as 2015. For females, Healthy Annuitant Mortality Tables were used, adjusted for mortality improvement back to the observation period base of 2006, and then adjusted the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

During 2016 OPERS managed 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 Health Care portfolio was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Director retiree medical accounts funded through the VEBA trust. However, the VEBA trust was closed as of June 30, 2016, and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 8.3 percent for 2016.

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 2016 and the long-term expected real rates of return:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
County's proportionate share of the net pension liability	\$49,163,768	\$32,180,642	\$18,028,982

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0 percent, effective July 1, 2017

Mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using mortality improvement scale MP-2016. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 with 90% of rates for males and 100% of rates for females, projected generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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 for July 1, 2016 valuation (latest available) are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's proportionate share of the net pension liability	\$3,386,168	\$2,362,224	\$1,499,705

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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Healthcare Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. This trust is also used to fund healthcare for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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 healthcare to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

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#CAFR>, 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 2017, the employer contribution allocated to the health care plan for members in the traditional plan and the combined plan was 1.00 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.00 percent.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2017, 2016, and 2015 was \$177,920, \$354,181, and \$343,766 respectively.

B. State Teachers Retirement System of Ohio

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

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 2017, STRS did not allocate any employer contributions to post-employment health care. The County did not have any contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 - LONG-TERM DEBT OBLIGATIONS

Governmental Activities 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 and will be repaid by the Capital Improvement Tax Fund, an other governmental fund. During 2017, \$624,000 of the debt was retired and the balance of the bonds outstanding at December 31, 2017 was \$1,248,000. The following table summarizes the principal and interest payments required to retire the manuscript debt:

<u>Year</u>	<u>2014 Courthouse Renovations</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$624,000	\$15,600
2019	624,000	7,800
Totals	<u>\$1,248,000</u>	<u>\$23,400</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

Business-Type Activities Debt

Details of the changes in the business-type activities long-term debt for the year ended December 31, 2017 are indicated below:

	Balance at 12/31/16	Increases	Decreases	Balance at 12/31/17	Due Within One Year
<u>General Obligation Bonds</u>					
2017 County Home Bonds	\$0	\$9,000,000	\$0	\$9,000,000	\$0
<u>Loans Payable:</u>					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	\$924,982	\$0	\$77,813	\$847,169	\$40,004
2006 McCartyville Sewer OWDA Loan - 0.00%	353,934	0	32,176	321,758	16,088
2009 Millcreek Sewer OWDA Loan - 1.50%	340,915	0	12,200	328,715	6,168
1998 Arrowhead Hills Sewer OPWC Loan - 0.00%	7,500	0	5,625	1,875	1,875
2010 Millcreek Sewer OPWC Loan - 0.00%	120,121	0	2,451	117,670	2,451
2011 Kettlersville Sewer USDA Loan - 3.50%	500,000	0	7,000	493,000	8,000
2014 Arrowhead Hills Sewer OPWC Loan - 0.00%	63,219	0	1,171	62,048	2,340
2015 Newport Sewer OWDA Design Loan - 0.00%	272,563	7,492	280,055	0	0
2016 BonTon Lift Station OWDA Loan - 0.71%	185,680	0	8,910	176,770	4,479
2017 Newport Sewer USDA Loan - 2.375%	0	241,585	0	241,585	0
Total Loans	2,768,914	249,077	427,401	2,590,590	81,405
Total Enterprise Long-Term Debt	\$2,768,914	\$9,249,077	\$427,401	\$11,590,590	\$81,405

*The \$280,055 was rolled into an OWDA grant during 2017 and doesn't represent a principle payment.

On December 28, 2017, the County issued \$9,000,000 in general obligation bonds for the purpose of financing permanent improvements at the County Home. Of these bonds, \$8,540,000 are term bonds maturing December 1, 2035, 2038, 2040, 2042, and 2048 at \$1,290,000, \$980,000, \$1,065,000, \$1,155,000, and \$4,050,000, respectively. \$460,000 are serial bonds with a maturity date of December 1, 2036. Although the bonds are backed by the full faith and credit of the County, the County intends to repay these bonds with County Home operating receipts.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

The term bonds maturing December 1, 2035, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$415,000 on December 1, 2033, and \$430,000 on December 1, 2034. The remaining principal amount of \$445,000 will be paid at stated maturity.

The term bonds maturing December 1, 2038, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$480,000 on December 1, 2037. The remaining principal amount of \$500,000 will be paid at stated maturity.

The term bonds maturing December 1, 2040, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$520,000 on December 1, 2039. The remaining principal amount of \$545,000 will be paid at stated maturity.

The term bonds maturing December 1, 2042, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$565,000 on December 1, 2041. The remaining principal amount of \$590,000 will be paid at stated maturity.

The term bonds maturing December 1, 2048, with a 3.5 percent interest rate are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$430,000, \$445,000, \$455,000, \$475,000, \$490,000 on December 1, 2043 to 2047, respectively. The remaining principal amount of \$505,000 will be paid at stated maturity.

The term bonds maturing December 1, 2048, with a 3.625 percent interest rate are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. The amount to be redeemed is \$190,000, 195,000, \$205,000, \$210,000, \$220,000 on December 1, 2043 to 2047, respectively. The remaining principal amount of \$230,000 will be paid at stated maturity.

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 receipts 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. 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. The Kettlersville Sewer USDA loan is a 30 year, \$520,000 loan. 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. 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

The 2015 Newport Sewer OWDA loan was a five year loan for the purpose of financing the design phase of the Newport Sewer improvements. During 2017, this loan was rolled into an OWDA grant. The 2016 BonTon liftstation OWDA loan is a 20 year, \$190,112 loan with an interest rate of .71 percent. The 2017 Newport USDA Loan is a 38 year, \$511,000 that has not yet been fully disbursed. All of these loans are being repaid from operating receipts 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, 2017, are an overall debt margin of \$19,052,029 and an unvoted debt margin of \$3,013,598.

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

Year	General Obligation Bonds	
	Principal	Interest
2018	\$0	\$321,310
2019	0	347,362
2020	0	347,362
2021	0	347,362
2022	0	347,362
2023-2027	0	1,736,813
2028-2032	0	1,738,813
2033-2037	2,230,000	1,579,212
2038-2042	2,720,000	1,085,950
2043-2047	3,315,000	489,930
2048	735,000	26,013
Total	\$9,000,000	\$8,367,489

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

Sewer Loans						
Year	Ft. Loramie Sewer OWDA		McCartyville Sewer OWDA		Millcreek Sewer OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$40,004	\$15,884	\$16,088	\$0	\$6,168	\$2,465
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	91,974	19,804	32,176	0	13,048	4,219
2023-2027	458,912	44,088	160,878	0	68,248	18,091
2028-2032	0	0	16,088	0	73,541	12,796
2033-2037	0	0	0	0	79,246	7,091
2038-2042	0	0	0	0	50,470	1,333
Totals	\$847,169	\$158,829	\$321,758	\$0	\$328,715	\$59,805

Year	Arrowhead Hills OPWC		Millcreek Sewer OPWC		Kettlersville Sewer USDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$1,875	\$0	\$2,451	\$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	0	0	4,903	0	9,000	15,525
2023-2027	0	0	24,515	0	50,000	72,866
2028-2032	0	0	24,515	0	59,000	63,855
2033-2037	0	0	24,514	0	69,000	53,224
2038-2042	0	0	22,063	0	83,000	40,703
2043-2047	0	0	0	0	98,000	25,684
2048-2051	0	0	0	0	92,000	7,864
Totals	\$1,875	\$0	\$117,670	\$0	\$493,000	\$344,657

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 15 - LONG-TERM DEBT OBLIGATIONS (Continued)

Year	Arrowhead Hills OPWC		BonTon OWDA		Newport USDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$2,341	\$0	\$4,479	\$628	\$0	\$18,204
2019	2,341	0	9,006	1,208	8,404	12,087
2020	2,341	0	9,070	1,144	8,605	11,886
2021	2,341	0	9,134	1,078	8,810	11,680
2022	2,341	0	9,200	1,014	9,021	11,470
2023-2027	11,705	0	46,988	4,077	48,442	54,011
2028-2032	11,705	0	48,683	2,383	54,510	47,941
2033-2037	11,710	0	40,210	645	61,340	41,111
2038-2042	11,710	0	0	0	69,028	33,426
2043-2047	3,513	0	0	0	77,678	24,778
2048-2052	0	0	0	0	87,411	15,044
2053-2056	0	0	0	0	77,751	4,212
Totals	\$62,048	\$0	\$176,770	\$12,177	\$511,000	\$285,850

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. In 2013, the County issued multi-family housing mortgage revenue bonds with the principal amount of \$10,870,000 outstanding as of December 31, 2017. 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 16 – 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, 2017 were as follows:

Fund Balance	General	Public Assistance	Auto License and Gas	Developmental Disabilities
Non-Spendable				
Unclaimed Monies	\$90,638			
Total Non-Spendable	<u>90,638</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted for:				
Roads, Bridges, and Culverts			4,989,468	
Ditch Maintenance				
Public Assistance		198,368		
Developmental Disabilities				12,666,685
Dog and Kennel				
Real Estate Assessment and Collection				
Judiciary Operations and Special Projects				
Public Safety				
Child Support Enforcement				
Community Development				
Debt Service				
Capital Improvements				
Total Restricted	<u>0</u>	<u>198,368</u>	<u>4,989,468</u>	<u>12,666,685</u>
Committed to:				
Sheriff Commissary				
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Assigned for:				
Subsequent Year Appropriations	1,998,624			
Unpaid Obligations	167,360			
Recycling Center	59,928			
Court Appointed Special Advocates Program	73,679			
Crimestoppers Rewards	12,296			
Total Assigned	<u>2,311,887</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned	<u>1,532,031</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$3,934,556</u>	<u>\$198,368</u>	<u>\$4,989,468</u>	<u>\$12,666,685</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 16 – FUND BALANCE (Continued)

Fund Balance	Permanent Improvement	Other Governmental Funds	Total
Non-Spendable			
Unclaimed Monies			\$90,638
Total Non-Spendable	<u>0</u>	<u>0</u>	<u>90,638</u>
Restricted for:			
Roads, Bridges, and Culverts		108,573	5,098,041
Ditch Maintenance		565,110	565,110
Public Assistance			198,368
Developmental Disabilities			12,666,685
Dog and Kennel		41,477	41,477
Real Estate Assessment and Collection		966,595	966,595
Judiciary Operations and Special Projects		1,072,126	1,072,126
Public Safety		473,328	473,328
Child Support Enforcement		313,910	313,910
Community Development		72,490	72,490
Emergency Management		185,913	185,913
Debt Service		321,310	321,310
Capital Improvements	3,393,247	959,541	4,352,788
Total Restricted	<u>3,393,247</u>	<u>5,080,373</u>	<u>26,328,141</u>
Committed to:			
Sheriff Commissary		154,071	154,071
Total Committed	<u>0</u>	<u>154,071</u>	<u>154,071</u>
Assigned for:			
Subsequent Year Appropriations			1,998,624
Unpaid Obligations			167,360
Recycling Center			59,928
Court Appointed Special Advocates Program			73,679
Crimestoppers Rewards			12,296
Total Assigned	<u>0</u>	<u>0</u>	<u>2,311,887</u>
Unassigned	<u>0</u>	<u>0</u>	<u>1,532,031</u>
Total Fund Balance	<u>\$3,393,247</u>	<u>\$5,234,444</u>	<u>\$30,416,768</u>

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

NOTE 17- SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2017, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/17</u>
CSX Transportation, Inc.		\$216,006	\$0	\$216,006
Choice One Engineering	Newport Sewer	191,880	56,672	135,208
Tom's Construction	Newport Sewer	2,860,693	1,491,552	1,369,141

NOTE 18 - 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 2017, 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 19 - 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 2017, a tax levy provided \$550,480 (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, 2017

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. West Central Ohio Network

The West Central Ohio Network (WestCON) is a jointly governed organization among Shelby, Darke, Miami, Auglaize, Mercer, Logan, Hardin, Preble, 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 2017, 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 2017, 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 20 - 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 2017, 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, 2017

NOTE 21 – 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.

County Employee Benefits Consortium of Ohio

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation and insurance purchasing pool with membership open to Ohio political subdivisions, to collectively pool resources to purchase employee benefits. The County pays the annual actuarially determined rate on a monthly basis. Components of the funding rate include the claims fund distribution, incurred but unreported claims, a claim contingency reserve fund, and the fixed cost of the consortium.

The business and affairs of the consortium are governed by a board comprised of representatives of counties that participate in the program. Two-thirds of the directors are commissioners of the member counties and one-third are employees of the member counties. Each member of the consortium is entitled to one vote. At all times one director is required to be a member of the board of directors of the County Commissioners Association of Ohio and another is required to be a board member of the County Risk Sharing Authority, Inc.

NOTE 22 - 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, 2017, 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, 2017

NOTE 23 - 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 24 – SUBSEQUENT EVENTS

On February 6, 2018, the County issued additional general obligation bonds in the amount of \$4,000,000 for the purpose of acquiring and constructing upgrades and improvements to the Fair Haven County Home. The bonds carry an interest rate of 2.00-4.00% and will reach final maturity December 1, 2032.

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SHELBY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct				
Water and Waste Disposal Systems for Rural Communities	10.760			\$1,050,371
Passed Through Ohio Department of Job and Family Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5579 / G-1718-11-5805		\$242,587
Total U.S. Department of Agriculture				<u>1,292,958</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Ohio Development Services Agency				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii				
	14.228	B-F-16-1CR-1		575,000
		B-W-16-1CR-1		288,000
Total Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii				<u>863,000</u>
Total U.S. Department of Housing and Urban Development				<u>863,000</u>
U.S. DEPARTMENT OF JUSTICE				
Passed Through Ohio Department of Public Safety				
Crime Victim Assistance				
	16.575	2018-VOCA-109850703		42,867
		2018-VOCA-109312171		21,618
		2016-TDIM		700
		2017-VOCA-43555488		68,169
		2017-VOCA-43555910		122,393
Total Crime Victim Assistance				<u>255,747</u>
Total U.S. Department of Justice				<u>255,747</u>
U.S. DEPARTMENT OF LABOR				
Passed Through Ohio Department of Job and Family Services (Passed Through Area 7 Workforce Development Board)				
Employment Service Cluster				
Employment Service/Wagner-Peyser Funded Activities	17.207	2016-7375-1		2,233
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA Adult Program	17.258	2016-7375-1		67,482
WIOA Youth Activities	17.259	2016-7375-1 / 2017-7375-1	\$25,083	25,083
WIOA Dislocated Worker Formula Grants	17.278	2016-7375-1 / 2017-7375-1		18,374
Total Workforce Innovation and Opportunity Act Cluster			25,083	<u>110,939</u>
Total U.S. Department of Labor			<u>25,083</u>	<u>113,172</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	PID 103470		27,576
Total U.S. Department of Transportation				<u>27,576</u>
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Special Education Cluster (IDEA)				
Special Education Preschool Grants	84.173	071159-PG-SI-17P		17,573
		071159-PG-SI-18P		35,092
Total Special Education Preschool Grants/Special Education Cluster (IDEA)				<u>52,665</u>
Passed Through Ohio Department of Health				
Special Education-Grants for Infants and Families	84.181	07510021HG0817		59,721
Total U.S. Department of Education				<u>112,386</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Ohio Department of Mental Health and Addiction Services				
Promoting Safe and Stable Families				
	93.556	5AU-17		14,000
		5AU-18		4,990
				<u>18,990</u>
Passed Through Ohio Department of Job and Family Services				
Promoting Safe and Stable Families	93.556	G-1617-11-5579 / G-1819-11-5805		71,242
Total Promoting Safe and Stable Families				<u>90,232</u>
TANF Cluster				
Temporary Assistance for Needy Families	93.558	G-1617-11-5579 / G-1819-11-5805	55,695	954,439

SHELBY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Child Support Enforcement	93.563	G-1617-11-5579 / G-1819-11-5805		466,757
CCDF Cluster				
Child Care and Development Block Grant	93.575	G-1617-11-5579 / G-1819-11-5805		52,250
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5579 / G-1819-11-5805		28,005
Foster Care Title IV-E	93.658	G-1617-11-5579 / G-1819-11-5805		123,513
Children's Health Insurance Program	93.767	G-1617-11-5579 / G-1819-11-5805		53,080
Adoption Assistance	93.659	G-1617-11-5579 / G-1819-11-5805		154,536
Social Services Block Grant	93.667	G-1617-11-5579 / G-1819-11-5805		404,280
Passed Through Ohio Department of Developmental Disabilities				
Social Services Block Grant	93.667	CY2017 TXX		32,778
Total Social Services Block Grant				437,058
Medicaid Cluster				
Medical Assistance Program	93.778	CY2016 MAC		15,549
Medical Assistance Program		CY2017MAC		21,024
				36,573
Passed Through Ohio Department of Job and Family Services				
Medical Assistance Program	93.778	G-1617-11-5579 /G-1819-11-5805		544,858
Total Medicaid Cluster				581,431
Passed Through Ohio Department of Aging (Passed Through Area Agency on Aging)				
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044			34,518
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			82,901
Nutrition Services Incentive Program	93.053			11,970
Total Aging Cluster				129,389
Total U.S. Department of Health and Human Services			55,695	3,070,690
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through Ohio Department of Public Safety				
Hazard Mitigation Grant	97.039	FEMA-4098-DR-OH		6,245
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01		27,388
Homeland Security Grant Program	97.067	EMW-2015-SS-00086		112,000
Total U.S. Department of Homeland Security				145,633
Total Expenditures of Federal Awards			\$80,778	\$5,881,162

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, 2017

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, 2017. 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 the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The County passes certain federal awards received from the Ohio Department of Job and Family Services and Area 7 Workforce 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 subrecipient, the County has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D – HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) WITH REVOLVING LOAN FUND BALANCE

The current cash balance on the County's local program income account as of December 31, 2017 is \$63,830.

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.

SHELBY COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017
(continued)**

NOTE F – MEDICAL ASSISTANCE PROGRAM COST REPORT SETTLEMENT

During the calendar year, the County Board of Developmental Disabilities received notice of a liability owed to the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) for the 2012 and 2013 Cost Reports in the amount of \$24 and \$56, respectively. The Cost Report Settlement liability was for settlement of the difference between the statewide payment rate and the rate calculated based on actual expenditures for Medicaid services. This liability is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods and the liability was invoiced by the Ohio Department of Developmental Disabilities.



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 modified cash-basis 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 14, 2018, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also noted the County changed its basis of accounting and restated opening fund balances/net position.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the County's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018



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, 2017. 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, 2017.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

SHELBY COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities – CDFA #10.760 Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii – CFDA #14.228 Child Support Enforcement – CFDA #93.563
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires, in part, all counties to file annual financial reports which are prepared using generally accepted accounting principles.

The County prepared its financial statements in accordance with the modified cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred outflows/inflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The County should prepare its financial statements in accordance with generally accepted accounting principles to provide users with more complete and meaningful financial statements.

Officials' Response: Due to the State of Ohio's continued cuts to County revenue, we have taken the cost cutting measure of switching from GAAP reporting to OCBOA reporting. The preparation of the report and the auditing of it will result in a savings of \$17,232 based on the maximum fee quoted in the 2017 Audit Agreement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Shelby County Auditor



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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness - GASB 54 Error – Failure to proper classify the amount by which appropriations exceeded estimated receipts for the subsequent year/	Corrective Action Taken and Finding is Fully Corrected.	

Shelby County Auditor



Amy L. Berning, Auditor

Debra A. Francis, Chief Deputy

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Sidney, OH 45365-3095

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Due to the State of Ohio's continued cuts to County revenue, we have taken the cost cutting measure of switching from GAAP reporting to OCBOA reporting. The preparation of the report and the auditing of it will result in a savings of \$17,232 based on the maximum fee quoted in the 2017 Audit Agreement.	N/A	Amy Berning, County Auditor



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SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 27, 2018**