



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SHELBY COUNTY  
DECEMBER 31, 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2019, 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, 2019, 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 2019, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Also as discussed in Note 24 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### ***Supplementary 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 2, 2020, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio

September 2, 2020

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**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
*Unaudited*  
*For the Year Ended December 31, 2019*

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**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, 2019, 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 \$1,263,169 during 2019. Net position of governmental activities increased by \$4,108,844 (about twelve percent). Net position of business-type activities decreased by \$2,845,675 (about 65 percent). This decrease was due to the expenditure of the Fair Haven bond proceeds received during 2017 and 2018.

The General Fund transfers out equaled \$4,004,921. Of these transfers, \$3,568,724 were transfers of sales tax receipts to the Auto License and Gas and non-major funds, and the remaining \$436,197 were transfers to subsidize various programs of the non-major governmental funds.

Enterprise fund operations showed total operating receipts of \$8,818,622 and total operating expenses of \$11,249,065 for an operating loss of \$2,430,443. Total business-type unrestricted net position at December 31, 2019, was \$1,017,168. This total includes \$609,490 for the Fair Haven Fund and \$407,678 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*  
*For the Year Ended December 31, 2019*

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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 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, 2019*

*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 2019 compared to 2018.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
<b>Assets</b>						
Cash and Investments	\$38,621,124	\$34,512,280	\$1,500,376	\$4,346,051	\$40,121,500	\$38,858,331
Total Assets	38,621,124	34,512,280	1,500,376	4,346,051	40,121,500	38,858,331
<b>Net Position</b>						
Restricted for:						
Other Purposes	27,504,348	24,050,179	0	0	27,504,348	24,050,179
Debt Service	0	0	0	74,406	0	74,406
Capital Outlay	6,304,111	6,171,583	483,208	3,599,101	6,787,319	9,770,684
Unrestricted	4,812,665	4,290,518	1,017,168	672,544	5,829,833	4,963,062
Total Net Position	\$38,621,124	\$34,512,280	\$1,500,376	\$4,346,051	\$40,121,500	\$38,858,331

Total net position increased \$1,263,169. Net position of governmental activities increased \$4,108,844 (about twelve percent) during 2019.

Net position of business-type activities decreased \$2,845,675, about 65 percent. This decrease was due to the expenditure of a majority of the Fair Haven County Home bond proceeds that were received during 2017 and 2018 for the new addition at the County Home.

Table 2 reflects the changes in net position in fiscal year 2019, along with a comparison to 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$8,541,660	\$9,671,237	\$8,701,329	\$7,908,210	\$17,242,989	\$17,579,447
Operating Grants, Contributions and Interest	14,998,988	12,737,346	0	0	14,998,988	12,737,346
Capital Grants and Contributions	3,799,091	1,386,259	159,825	1,190,892	3,958,916	2,577,151
Total Program Revenues	27,339,739	23,794,842	8,861,154	9,099,102	36,200,893	32,893,944
General Revenues:						
Property Taxes	6,760,817	6,773,444	0	0	6,760,817	6,773,444
Permissive Sales Tax	10,808,609	9,945,485	0	0	10,808,609	9,945,485
Other Taxes	303,660	159,322	0	0	303,660	159,322
Grants and Entitlements	2,923,137	3,282,396	0	0	2,923,137	3,282,396
Interest	830,849	564,815	62,878	152,034	893,727	716,849
Other	149,216	188,881	123,818	129,970	273,034	318,851
Debt Proceeds	0	0	0	4,530,267	0	4,530,267
Total General Revenues	21,776,288	20,914,343	186,696	4,812,271	21,962,984	25,726,614
Total Revenues	49,116,027	44,709,185	9,047,850	13,911,373	58,163,877	58,620,558
Program Expenses						
Legislative and Executive	5,043,577	5,756,291	0	0	5,043,577	5,756,291
Judicial	3,264,835	3,102,692	0	0	3,264,835	3,102,692
Public Safety	8,289,313	7,322,054	0	0	8,289,313	7,322,054
Public Works	9,928,905	7,278,328	0	0	9,928,905	7,278,328
Health	2,357,379	1,003,144	0	0	2,357,379	1,003,144
Human Services	13,256,988	14,008,322	0	0	13,256,988	14,008,332
Economic Development and Assistance	94,839	18,256	0	0	94,839	18,256
Intergovernmental	217,778	244,532	0	0	217,778	244,532
Capital Outlay	1,625,746	1,268,885			1,625,746	1,268,885
Principal Retirement	624,000	624,000			624,000	624,000
Interest and Fiscal Charges	7,800	15,600	0	0	7,800	15,600
Fair Haven	0	0	10,842,376	17,128,963	10,842,376	17,128,963
Sewer	0	0	1,347,172	2,590,519	1,347,172	2,590,519
Total Expenses	44,711,160	40,642,114	12,189,548	19,719,482	56,900,708	60,361,596
Increase (Decrease) in Net Position Before Advances	4,404,867	4,067,071	(3,141,698)	(5,808,109)	1,263,169	(1,741,038)
Advances	(296,023)	(16,000)	296,023	16,000	0	0
Increase (Decrease) in Net Position	4,108,844	4,051,571	(2,845,675)	(5,792,109)	1,263,169	(1,741,038)
Beginning Net Position (Restated)	34,512,280	30,095,457	4,346,051	10,138,160	38,858,331	40,233,617
Ending Net Position	\$38,621,124	\$34,146,528	\$1,500,376	\$4,346,051	\$40,121,500	\$38,492,579

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
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Governmental Activities

Net position of the County's governmental activities increased \$4,108,844 during 2019, which is about twelve percent.

The following table shows total receipts by source for 2019:

Revenue Sources	2019	Percent of Total
Unrestricted grants and entitlements	\$2,923,137	5.97%
Program Revenues	27,339,739	55.83%
General Tax Revenues	17,873,086	36.20%
General Other	980,065	2.00%
Total Revenue	\$49,116,027	100.00%

Tax receipts accounted for \$17,873,086 of the \$49,116,027 in total receipts for governmental activities. Sales tax accounted for \$10,808,609, or approximately 61 percent of the total tax receipts, with property taxes and the permissive motor vehicle license tax making up the other 39 percent.

The program revenues are made up of \$8,541,660 in direct charges to users of governmental services and \$18,798,079 in grants and contributions restricted to specific programs.

Human Services disbursements accounted for the largest share of disbursements at approximately 30 percent of total cash disbursements for 2019. Public works and public safety accounted for the next largest shares of disbursements, at 22 percent and 19 percent of disbursements, respectively. Public Works expenditures are mostly for roads and bridges. Public Safety expenditures are mostly for Sheriff and Emergency Management.

***Business-Type Activities***

Charges for services were the largest source of receipts for the business-type activities during 2019, accounting for about 96 percent of total receipts.

Capital grants and contributions accounted for about 2 percent of receipts. The capital grant was an OPWC grant for a sewer pump. Interest and miscellaneous revenue accounted for the other 2 percent of receipts of the business-type activities in 2019.

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. A comparison to 2018 is provided.

**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
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Table 3

	Governmental Activities		Governmental Activities	
	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government:				
Legislative and Executive	\$5,043,577	\$1,665,107	\$5,756,291	\$2,509,679
Judicial	3,264,835	1,514,498	3,102,692	1,527,133
Public Safety	8,289,313	5,029,853	7,322,054	3,141,293
Public Works	9,928,905	2,173,526	7,278,328	1,881,158
Health	2,357,379	205,702	1,003,144	186,993
Human Services	13,256,988	4,313,857	14,008,332	5,434,537
Economic Development	94,839	(6,446)	18,256	13,462
Intergovernmental	217,778	217,778	244,532	244,532
Capital Outlay	1,625,746	1,625,746	1,268,885	1,268,885
Debt Service:				
Principal Retirement	624,000	624,000	624,000	624,000
Interest and Fiscal Charges	7,800	7,800	15,600	15,600
Total Disbursements	\$44,711,160	\$17,371,421	\$40,642,114	\$16,847,272

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

Charges for services, operating grants, and capital grants of approximately 56% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 44% 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, transfers, and proceeds from sale of capital assets) of \$49,861,941 and disbursements of \$45,466,945.

The General Fund is the chief operating fund of the County. At the end of the current year, unassigned fund balance of the General Fund was \$2,249,817 while total fund balance was \$4,747,519, an increase of \$664,580 from the prior year. The Public Assistance Fund balance increased \$172,350. The Auto License and Gas Fund balance increased \$693,803. The Developmental Disabilities fund balance increased \$1,698,772. The Permanent Improvement fund balance decreased by \$97,277.

The enterprise funds reflect an operating loss for 2019. Fair Haven had an operating loss of \$2,548,156 and a decrease in net position of \$2,903,616. This decrease in net position was due to the expenditure of bond proceeds received during 2017 and 2018 for the construction project at Fair Haven. The Sewer Fund had an operating income of \$117,713.

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**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 2019, the General Fund had original appropriations of \$18,009,344 and final appropriations of \$18,586,915. Actual expenditures plus encumbrances for 2019 were \$18,025,498.

**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, 2019, Shelby County had \$0 in long-term governmental debt outstanding and \$15,303,724 in long-term enterprise debt outstanding:

Table 4  
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
General Obligation Bonds	\$0	\$624,000	\$12,760,000	\$13,000,000
Loans	0	0	2,543,724	2,704,972
<b>Totals</b>	<b>\$0</b>	<b>\$624,000</b>	<b>\$15,303,724</b>	<b>\$15,704,972</b>

During 2017 and 2018, the County issued \$13,000,000 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 \$27,891,105 as of December 31, 2019. The more restrictive unvoted legal debt margin was \$11,756,442 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.



**Shelby County, Ohio**  
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Manuscript Debt

During 2014, the County issued \$3,120,000 general obligation bonds to fund the courthouse renovations. The Auto License and Gas and Permanent Improvement Funds were the purchasing funds and the Capital Improvement Tax Fund was the borrowing fund. The bonds reached final maturity during 2019.

**CURRENT FINANCIAL ISSUES**

Shelby County entered 2019 feeling good about current relationships with our State Administration. Unfortunately, our legislators continue to propose tax-exemptions to both property and sales taxes that could affect our funding. For these reasons we have been very conservative in forecasting revenues.

The opiates crisis has affected many of the General Fund departments, with increases in many of them to respond to the continued pressures. Our jail population is high with persons incarcerated for drug-related offenses while our probation department remains busy with the higher population as well.

In May, the first persons were moved into the brand new S.T.A.R. (Sheriff's Treatment and Recovery) House. The STAR House was created to fill the gap between incarceration and complete independence for those in recovery from drug or alcohol addiction. The 4269 sq. ft. facility will house twenty male residents. The STAR House will be operated cooperatively by the Shelby County Sheriff's Office, Tri County Board of Mental Health, and community partners, but will require some funding and oversight from the Commissioners.

On a positive note Sheriff's contracts continue to bring in revenue, with housing of out-of-county prisoners and federal prisoners at the jail contributing \$738,235 to the General Fund. The Treasurer's office has revised our investments, resulting in \$278,867 increase in interest when comparing 2018 to 2019.

The Shelby County Jail is being enlarged utilizing K2M Design to upgrade jail intake in order to isolate the area in case there would be a release of drugs into the air. The project is necessary for the safety of the inhabitants and to ensure jail operations are not interrupted. It is expected for this project to cost \$1.4 million.

Our Veterans Services has reached out to the Commissioners for assistance in building a garage to store vehicles. Ground has been procured and design of the facility is in process. The cost is being determined at this time.

The Commissioners have retained Jones and Henry to assist with preliminary design for upgrading the Lake Loramie Wastewater Treatment Plant. Built in 1987, much of the facility is outdated and past its life expectancy. The facility currently treats waste from Ft. Loramie Lake residents, the Village of Ft. Loramie, the Village of Kettlersville, and the areas of Newport and McCartyville. As the EPA enacts stricter guidelines, enhancements are necessary to improve phosphorus removal and eliminate bypasses. We hope to have planning and funding in place to allow for construction to begin in the summer of 2021.

Other areas needing our attention include the old jail and the fairgrounds. The City of Sidney has an aggressive I & I program that will require us to upgrade and replace sewer and drainage tiles on the grounds of the approximately 40-acre site for the Fair.



**Shelby County, Ohio**  
*Management's Discussion and Analysis*  
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*For the Year Ended December 31, 2019*

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The County continues to work to upgrade our emergency communications infrastructure as the Commissioners contracted to have a full study of the current equipment and the service issues. It is estimated this project could be a \$6 million investment in our infrastructure.

Bob Geuy, County Engineer, has been working with CSX Railroad to rehabilitate the bridge located on Fair Road at the Middle School. Construction began in 2019 and will conclude in 2020 at an anticipated cost of \$3 million.

For 2020, the County has projected General Fund revenues of approximately \$17 million. We anticipate being very busy with the numerous building projects that are underway.

**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, 2019

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$38,113,543	\$1,027,781	\$39,141,324
Cash and Cash Equivalents in Segregated Accounts	186,730	135,213	321,943
Cash and Cash Equivalents with Fiscal Agent	84,130	0	84,130
Investments in Segregated Accounts	5,508	337,382	342,890
Investments with Fiscal Agent	231,213	0	231,213
<i>Total Assets</i>	<u>\$38,621,124</u>	<u>\$1,500,376</u>	<u>\$40,121,500</u>
<b>Net Position</b>			
Restricted for:			
Capital Outlay	\$6,304,111	\$483,208	\$6,787,319
Other Purposes	27,504,348	0	27,504,348
Unrestricted	<u>4,812,665</u>	<u>1,017,168</u>	<u>5,829,833</u>
<i>Total Net Position</i>	<u>\$38,621,124</u>	<u>\$1,500,376</u>	<u>\$40,121,500</u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2019*

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government:				
Legislative and Executive	\$5,043,577	\$3,315,115	\$63,355	\$0
Judicial	3,264,835	811,669	938,668	0
Public Safety	8,289,313	2,403,902	855,558	0
Public Works	9,928,905	809,527	5,086,403	1,859,449
Health	2,357,379	200,026	12,009	1,939,642
Human Services	13,256,988	1,001,421	7,941,710	0
Economic Development	94,839	0	101,285	0
Intergovernmental	217,778	0	0	0
Capital Outlay	1,625,746	0	0	0
Debt Service:				
Principal Retirement	624,000	0	0	0
Interest and Fiscal Charges	7,800	0	0	0
<i>Total Governmental Activities</i>	<u>44,711,160</u>	<u>8,541,660</u>	<u>14,998,988</u>	<u>3,799,091</u>
<b>Business-type activities:</b>				
Fair Haven	10,842,376	7,527,391	0	0
Sewer	1,347,172	1,173,938	0	159,825
<i>Total business-type activities</i>	<u>12,189,548</u>	<u>8,701,329</u>	<u>0</u>	<u>159,825</u>
<i>Total primary government</i>	<u>\$56,900,708</u>	<u>\$17,242,989</u>	<u>\$14,998,988</u>	<u>\$3,958,916</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  
Unrestricted Investment Earnings  
Gifts and Donations  
Miscellaneous  
Advances  
*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
(\$1,665,107)	\$0	(\$1,665,107)
(1,514,498)	0	(1,514,498)
(5,029,853)	0	(5,029,853)
(2,173,526)	0	(2,173,526)
(205,702)	0	(205,702)
(4,313,857)	0	(4,313,857)
6,446	0	6,446
(217,778)	0	(217,778)
(1,625,746)	0	(1,625,746)
	0	
(624,000)	0	(624,000)
(7,800)	0	(7,800)
<u>(17,371,421)</u>	<u>0</u>	<u>(17,371,421)</u>
0	(3,314,985)	(3,314,985)
0	(13,409)	(13,409)
0	(3,328,394)	(3,328,394)
<u>(17,371,421)</u>	<u>(3,328,394)</u>	<u>(20,699,815)</u>
2,305,548	0	2,305,548
4,455,269	0	4,455,269
10,808,609	0	10,808,609
303,660	0	303,660
2,923,137	0	2,923,137
830,849	62,878	893,727
11,040	0	11,040
138,176	123,818	261,994
(296,023)	296,023	0
<u>21,480,265</u>	<u>482,719</u>	<u>21,962,984</u>
4,108,844	(2,845,675)	1,263,169
<u>34,512,280</u>	<u>4,346,051</u>	<u>38,858,331</u>
<u>\$38,621,124</u>	<u>\$1,500,376</u>	<u>\$40,121,500</u>

**Shelby County, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2019*

	General	Public Assistance	Auto License and Gas
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,638,433	\$391,036	\$6,281,345
Cash and Cash Equivalents in			
Segregated Accounts	103,578	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Investments in Segregated Accounts	5,508	0	0
Investments with Fiscal Agent	0	0	0
<i>Total Assets</i>	<u>\$4,747,519</u>	<u>\$391,036</u>	<u>\$6,281,345</u>
<b>Fund Balances</b>			
Nonspendable	\$113,529	\$0	\$0
Restricted	0	391,036	6,281,345
Committed	0	0	0
Assigned	2,384,173	0	0
Unassigned	2,249,817	0	0
<i>Total Fund Balances</i>	<u>\$4,747,519</u>	<u>\$391,036</u>	<u>\$6,281,345</u>

See accompanying notes to the basic financial statements

Developmental Disabilities	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$15,492,530	\$4,543,055	\$6,767,144	\$38,113,543
0	0	83,152	186,730
84,130	0	0	84,130
0	0	0	5,508
231,213	0	0	231,213
<u>\$15,807,873</u>	<u>\$4,543,055</u>	<u>\$6,850,296</u>	<u>\$38,621,124</u>
\$0	\$0	\$0	\$113,529
15,807,873	4,543,055	6,671,622	33,694,931
0	0	178,674	178,674
0	0	0	2,384,173
0	0	0	2,249,817
<u>\$15,807,873</u>	<u>\$4,543,055</u>	<u>\$6,850,296</u>	<u>\$38,621,124</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, 2019*

	General	Public Assistance	Auto License and Gas
<b>Receipts</b>			
Property and Other Taxes	\$2,305,548	\$0	\$303,660
Permissive Sales Tax	9,367,443	0	0
Intergovernmental	1,947,253	3,606,497	5,048,722
Charges for Services	3,867,653	821,585	202,309
Licenses and Permits	52,104	0	0
Fines and Forfeitures	224,183	0	0
Special Assessments	0	0	0
Interest	828,041	0	37,681
Donations	0	0	0
Other	262,907	43,777	240,654
<i>Total Receipts</i>	<u>18,855,132</u>	<u>4,471,859</u>	<u>5,833,026</u>
<b>Disbursements</b>			
Current:			
General Government:			
Legislative and Executive	4,501,132	0	0
Judicial	2,419,126	0	0
Public Safety	5,685,189	0	0
Public Works	701,258	0	6,932,347
Health	166,853	0	0
Human Services	495,700	4,299,509	0
Economic Development	0	0	0
Intergovernmental	217,778	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>14,187,036</u>	<u>4,299,509</u>	<u>6,932,347</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,668,096</u>	<u>172,350</u>	<u>(1,099,321)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	1,405	0	7,775
Advances - In	0	0	0
Advances - Out	0	0	0
Transfers - In	0	0	1,785,349
Transfers - Out	(4,004,921)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(4,003,516)</u>	<u>0</u>	<u>1,793,124</u>
<i>Net Change in Fund Balances</i>	664,580	172,350	693,803
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>4,082,939</u>	<u>218,686</u>	<u>5,587,542</u>
<i>Fund Balances End of Year</i>	<u>\$4,747,519</u>	<u>\$391,036</u>	<u>\$6,281,345</u>

See accompanying notes to the basic financial statements



Developmental Disabilities	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$4,455,269	\$0	\$0	\$7,064,477
0	1,441,166	0	10,808,609
3,584,876	0	5,381,652	19,569,000
83,908	0	1,739,139	6,714,594
0	0	156,274	208,378
0	0	184,632	408,815
0	0	330,018	330,018
0	2,808	476	869,006
0	0	1,949,651	1,949,651
355,102	14,309	1,022,644	1,939,393
8,479,155	1,458,283	10,764,486	49,861,941
0	0	542,445	5,043,577
0	0	845,709	3,264,835
0	0	2,604,124	8,289,313
0	0	2,295,300	9,928,905
0	0	2,190,526	2,357,379
6,780,383	0	2,437,181	14,012,773
0	0	94,839	94,839
0	0	0	217,778
0	940,228	685,518	1,625,746
0	0	624,000	624,000
0	0	7,800	7,800
6,780,383	940,228	12,327,442	45,466,945
1,698,772	518,055	(1,562,956)	4,394,996
0	691	0	9,871
0	13,977	330,000	343,977
0	(630,000)	(10,000)	(640,000)
0	0	2,219,572	4,004,921
0	0	0	(4,004,921)
0	(615,332)	2,539,572	(286,152)
1,698,772	(97,277)	976,616	4,108,844
14,109,101	4,640,332	5,873,680	34,512,280
\$15,807,873	\$4,543,055	\$6,850,296	\$38,621,124

**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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Taxes	\$2,301,000	\$ 2,301,000	\$2,305,548	\$4,548
Permissive Sales Tax	7,830,300	8,407,600	9,367,443	959,843
Intergovernmental	1,775,555	1,775,555	1,947,253	171,698
Charges for Services	3,134,680	3,134,680	3,165,379	30,699
Licenses and Permits	60,800	60,800	52,104	(8,696)
Fines and Forfeitures	145,000	145,000	153,383	8,383
Interest	550,000	550,000	808,797	258,797
Other	112,450	115,310	148,152	32,842
<i>Total Receipts</i>	15,909,785	16,489,945	17,948,059	1,458,114
<b>Disbursements</b>				
Current:				
General Government:				
Legislative and Executive	4,760,842	4,650,806	4,395,332	255,474
Judicial	2,472,102	2,513,959	2,443,140	70,819
Public Safety	5,302,659	5,367,075	5,353,633	13,442
Public Works	807,878	812,418	760,688	51,730
Health	179,846	179,846	168,727	11,119
Human Services	750,500	749,510	681,279	68,231
Intergovernmental	217,778	217,778	217,778	0
<i>Total Disbursements</i>	14,491,605	14,491,392	14,020,577	470,815
<i>Excess of Receipts Over Disbursements</i>	1,418,180	1,998,553	3,927,482	1,928,929
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	1,405	1,405
Transfers - Out	(3,517,739)	(4,095,523)	(4,004,921)	90,602
<i>Total Other Financing Sources (Uses)</i>	(3,517,739)	(4,095,523)	(4,003,516)	92,007
<i>Net Change in Fund Balance</i>	(2,099,559)	(2,096,970)	(76,034)	2,020,936
<i>Fund Balance Beginning of Year</i>	1,895,724	1,895,724	1,895,724	0
Prior Year Encumbrances Appropriated	204,372	204,372	204,372	0
<i>Fund Balance End of Year</i>	\$537	\$3,126	\$2,024,062	\$2,020,936

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, 2019*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Intergovernmental	\$3,283,814	\$3,283,814	\$3,432,864	\$149,050
Charges for Services	724,341	724,341	821,320	96,979
Other	115,133	115,133	99,858	(15,275)
<i>Total Receipts</i>	4,123,288	4,123,288	4,354,042	230,754
<b>Disbursements</b>				
Current:				
Human Services	4,210,546	4,324,146	4,232,854	91,292
<i>Excess of Receipts Over (Under) Disbursements</i>	(87,258)	(200,858)	121,188	322,046
<i>Fund Balance at Beginning of Year</i>	113,629	113,629	113,629	0
Prior Year Encumbrances Appropriated	87,257	87,257	87,257	0
<i>Fund Balance at End of Year</i>	<u>\$113,628</u>	<u>\$28</u>	<u>\$322,074</u>	<u>\$322,046</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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Taxes	\$155,000	\$155,000	\$157,500	\$2,500
Intergovernmental	4,290,000	4,290,000	5,048,722	758,722
Charges for Services	200,000	200,000	204,309	4,309
Interest	8,500	8,500	32,957	24,457
Other	214,000	214,000	240,654	26,654
<i>Total Receipts</i>	4,867,500	4,867,500	5,684,142	816,642
<b>Disbursements</b>				
Current:				
Public Works	11,779,684	11,779,684	6,976,943	4,802,741
<i>Excess of Receipts Under Disbursements</i>	(6,912,184)	(6,912,184)	(1,292,801)	5,619,383
<b>Other Financing Sources</b>				
Transfers In	1,500,000	1,500,000	1,785,349	285,349
Proceeds from Sale of Capital Assets	0	0	7,775	7,775
<i>Total Other Financing Sources</i>	1,500,000	1,500,000	1,793,124	293,124
<i>Net Change in Fund Balance</i>	(5,412,184)	(5,412,184)	500,323	5,912,507
<i>Fund Balance at Beginning of Year</i>	5,391,981	5,391,981	5,391,981	0
Prior Year Encumbrances Appropriated	20,203	20,203	20,203	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$5,912,507</u>	<u>\$5,912,507</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  
Developmental Disabilities Fund  
For the Year Ended December 31, 2019*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Taxes	\$4,323,500	\$4,323,500	\$4,455,269	\$131,769
Intergovernmental	2,543,968	2,543,968	3,244,732	700,764
Charges for Services	65,000	65,000	83,908	18,908
Other	565,125	565,125	338,862	(226,263)
<i>Total Receipts</i>	<u>7,497,593</u>	<u>7,497,593</u>	<u>8,122,771</u>	<u>625,178</u>
<b>Disbursements</b>				
Current:				
Human Services	7,125,710	7,125,710	5,496,228	1,629,482
<i>Excess of Receipts Over Disbursements</i>	<u>371,883</u>	<u>371,883</u>	<u>2,626,543</u>	<u>2,254,660</u>
<b>Other Financing Sources (Uses)</b>				
Advances - In	166,547	518,094	166,547	(351,547)
Transfers - Out	(1,490,080)	(1,490,080)	(125,000)	1,365,080
Advances - Out	(166,547)	(351,546)	(351,546)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,490,080)</u>	<u>(1,323,532)</u>	<u>(309,999)</u>	<u>1,013,533</u>
<i>Net Change in Fund Balance</i>	(1,118,197)	(951,649)	2,316,544	3,268,193
<i>Fund Balance at Beginning of Year</i>	8,692,264	8,692,264	8,692,264	0
Prior Year Encumbrances Appropriated	55,241	55,241	55,241	0
<i>Fund Balance at End of Year</i>	<u>\$7,629,308</u>	<u>\$7,795,856</u>	<u>\$11,064,049</u>	<u>\$3,268,193</u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Fund Net Position - Modified Cash Basis*  
*Enterprise Funds*  
*December 31, 2019*

	Fair Haven	Sewer	Total
<b>Current Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$746,094	\$281,687	\$1,027,781
Cash and Cash Equivalents in Segregated Accounts	9,222	125,991	135,213
Investments in Segregated Accounts	337,382	0	337,382
<i>Total Assets</i>	<u>1,092,698</u>	<u>407,678</u>	<u>1,500,376</u>
<b>Net Position</b>			
Restricted for Capital Improvements	483,208	0	483,208
Unrestricted	609,490	407,678	1,017,168
<i>Total Net Position</i>	<u>\$1,092,698</u>	<u>\$407,678</u>	<u>\$1,500,376</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, 2019*

	Fair Haven	Sewer	Total
<b>Operating Receipts</b>			
Charges for Services	\$7,527,391	\$1,173,938	\$8,701,329
Other	48,491	68,802	117,293
<i>Total Operating Receipts</i>	<u>7,575,882</u>	<u>1,242,740</u>	<u>8,818,622</u>
<b>Operating Disbursements</b>			
Personal Services	5,215,579	426,452	5,642,031
Contractual Services	892,887	608,351	1,501,238
Materials and Supplies	776,678	46,489	823,167
Capital Outlay	2,892,298	42,244	2,934,542
Other	346,596	1,491	348,087
<i>Total Operating Disbursements</i>	<u>10,124,038</u>	<u>1,125,027</u>	<u>11,249,065</u>
<i>Operating Income (Loss)</i>	<u>(2,548,156)</u>	<u>117,713</u>	<u>(2,430,443)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Interest	62,878	0	62,878
Proceeds from Sale of Capital Assets	0	6,525	6,525
Capital Grants and Contributions	0	159,825	159,825
Principal Retirement	(240,000)	(161,248)	(401,248)
Interest and Fiscal Charges	(478,338)	(60,897)	(539,235)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(655,460)</u>	<u>(55,795)</u>	<u>(711,255)</u>
<i>Income (Loss) Before Advances</i>	<u>(3,203,616)</u>	<u>61,918</u>	<u>(3,141,698)</u>
Advances In	300,000	0	300,000
Advances Out	0	(3,977)	(3,977)
<i>Change in Net Position</i>	<u>(2,903,616)</u>	<u>57,941</u>	<u>(2,845,675)</u>
<i>Net Position Beginning of Year</i>	<u>3,996,314</u>	<u>349,737</u>	<u>4,346,051</u>
<i>Net Position End of Year</i>	<u>\$1,092,698</u>	<u>\$407,678</u>	<u>\$1,500,376</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, 2019*

	Fair Haven	Sewer	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers and Support	\$7,527,391	\$1,173,938	\$8,701,329
Cash Received from Other Operating Receipts	48,491	68,802	117,293
Cash Payments for Employee Services and Benefits	(5,215,579)	(426,452)	(5,642,031)
Cash Payments to Suppliers and Contractors	(4,561,863)	(697,084)	(5,258,947)
Cash Payments for Other Operating Disbursements	(346,596)	(1,491)	(348,087)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(2,548,156)</u>	<u>117,713</u>	<u>(2,430,443)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Advances In	300,000	0	300,000
Advances Out	0	(3,977)	(3,977)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<u>300,000</u>	<u>(3,977)</u>	<u>296,023</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital Grants and Contributions	0	159,825	159,825
Proceeds from Sale of Capital Assets	0	6,525	6,525
Bond Principal Payments	(240,000)	0	(240,000)
Bond Interest Payments	(478,338)	0	(478,338)
Loan Principal Repayment	0	(161,248)	(161,248)
Loan Interest Payments	0	(60,897)	(60,897)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(718,338)</u>	<u>(55,795)</u>	<u>(774,133)</u>
<b>Cash Flows from Investing Activities</b>			
Interest	62,878	0	62,878
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(2,903,616)	57,941	(2,845,675)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,996,314</u>	<u>349,737</u>	<u>4,346,051</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,092,698</u>	<u>\$407,678</u>	<u>\$1,500,376</u>

See accompanying notes to the basic financial statements



**Shelby County, Ohio**  
*Statement of Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2019*

	Private Purpose Trust	Custodial
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$36,612	\$2,531,149
Cash and Cash Equivalents in Segregated Accounts	0	400,565
Investments in Segregated Accounts	0	100,111
<i>Total Assets</i>	36,612	\$3,031,825
<b>Net Position</b>		
Restricted for Agencies of the County	\$0	\$1,137,807
Restricted for Individuals, Organizations, and Other Governments	0	1,894,018
Restricted for Trust Beneficiaries	36,612	0
<i>Total Net Position</i>	36,612	3,031,825

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*December 31, 2019*

	Private Purpose Trust	Custodial Funds
<b>Additions</b>		
Property Tax Collections for Other Governments		\$40,798,611
Intergovernmental		4,482,981
Auto Title Fee Collections		4,619,525
Amounts Received as Fiscal Agent		2,696,993
Fines and Forfeitures for Other Governments		427,698
Licenses, Permits, and Fees for Other Governments		200,358
Sheriff Sale Collections for Other Governments		632,488
Amounts Received for Others	1,138	538,206
<i>Total Additions</i>	<u>1,138</u>	<u>54,396,860</u>
<b>Deductions</b>		
Distributions of Property Taxes to Other Governments		40,876,697
Distributions of State Funds to Other Governments		4,482,981
Distributions to the State of Ohio		4,870,014
Distributions as Fiscal Agent		2,611,373
Distribution of Fines and Forfeitures to Other Governments		505,691
Sheriff Sale Distributions to Other Governments		642,484
Other Distributions	1,436	538,216
<i>Total Deductions</i>	<u>1,436</u>	<u>54,527,456</u>
<i>Change in Net Position</i>	(298)	(130,596)
<i>Net Position Beginning of Year - Restated (Note 3)</i>	<u>36,910</u>	<u>3,162,421</u>
<i>Net Position End of Year</i>	<u><u>\$36,612</u></u>	<u><u>\$3,031,825</u></u>

See accompanying notes to the basic financial statements

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

**Reporting Entity**

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

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

**Blended Component Unit**

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

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION** (continued)

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the activity of the following districts and agencies are presented as custodial 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 a Joint Venture, Jointly Governed Organizations, a Related Organization, and Insurance Pools. 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, 2019*

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**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, 2019*

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**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.

**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, 2019*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the County under a trust agreement, or equivalent arrangement that has certain characteristics, for individuals, private organizations, or other governments and are not available to support the County's own programs. The County's private purpose trust fund accounts for donated money used for the purpose of helping foster children. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The County's custodial funds account for amounts collected and distributed on behalf of other governments or organizations, and to account for the funds of the agencies that the County serves as fiscal agent for: 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." Cash and cash equivalents that are held at WestCON on behalf of the Shelby County Board of Developmental Disabilities (BODD) are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent." 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 that are held at WestCON on behalf of the Shelby County BODD are recorded on the balance sheet as "Investments with Fiscal Agent."

Investments are reported at cost. During 2019, 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, STAR Ohio, commercial paper, U.S. Treasury Notes, and the First American Treasury Obligation Fund.

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 \$828,041 were credited to the General Fund during 2019, which includes \$747,938 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, 2019*

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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, 2019, 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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans 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.

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.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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.

**Budgetary Process**

All funds, other than custodial 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 2019.

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 the year ended December 31, 2019, the County has implemented GASB Statement No. 84, “Fiduciary Activities” and GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.” GASB Statement No. 84 establishes criteria for identifying fiduciary activities and requires a statement of fiduciary net position and a statement of changes in fiduciary net position to be reported for all fiduciary activities. GASB Statement No. 88 improves the information that is disclosed in the notes to governmental financial statements related to debt, including direct borrowings and placements. As a result of implementing GASB Statement No. 84, fund balances of the General Fund and the Auto License and Gas Fund, as well as net position of governmental activities was restated. The changes to fund balances/net position as of December 31, 2018 were as follows:

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

	Previously Reported	Restatement	Restated Balance
Fund Balances of Governmental Funds:			
General Fund	\$3,890,598	\$192,341	\$4,082,939
Auto License and Gas Tax Fund	5,414,131	173,411	5,587,542
Net position of governmental activities:	34,146,528	365,752	34,512,280

Due to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. The County reviewed its agency funds and certain funds will be reported with the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. The new classification of custodial funds is reporting a beginning net position of \$3,162,421.

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, deferred inflows/outflows, 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. Non-budgeted activity of the Developmental Disabilities Fund represents the activity at WestCON that was on behalf of the Shelby County Board of Developmental Disabilities.

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:

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)**

	General	Public Assistance	Auto License and Gas	Developmental Disabilities
Modified Cash Basis	\$664,580	\$172,350	\$693,803	\$1,698,772
Adjustments:				
Encumbrances	(182,884)	(34,037)	(177,198)	(76,737)
Unrecorded Cash 2018	67,834	50	1,949	0
Unrecorded Cash 2019	(158,682)	(290)	(4,671)	0
Perspective Differences	(466,882)	(16,885)	(13,560)	778,861
Non-Budgeted Activity	0	0	0	(84,352)
Budget Basis	<u>(\$76,034)</u>	<u>\$121,188</u>	<u>\$500,323</u>	<u>\$2,316,544</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.

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
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;

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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.

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.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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."

At year end, the County had \$10,643 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,125,607 of the County's bank balance of \$11,595,812 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institutions trust department or agent but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

The fair value of these investments is not materially different than measurement value. As of December 31, 2019, the County had the following investments:

Investment Type	Measurement Value	Investment Maturities		
		Less Than One Year	One to Three Years	Three to Five Years
Federal Farm Credit Bank	\$3,513,701	\$500,000	\$1,638,943	\$1,374,758
Federal Home Loan Bank	3,854,384	0	2,604,759	1,249,625
Federal Home Loan Mortgage Corporation	5,870,687	2,397,915	643,534	2,829,238
Federal National Mortgage Association	2,033,465	998,809	536,025	498,631
STAR Ohio	11,000,482	11,000,482	0	0
Commercial Paper	3,676,360	3,676,360	0	0
U.S. Treasury Notes	1,058,216	198,652	99,910	759,654
First American Treasury Obligation	559,582	559,582	0	0
<b>Total</b>	<b>\$31,566,877</b>	<b>\$19,331,800</b>	<b>5,523,171</b>	<b>\$6,711,906</b>

**Interest Rate Risk:** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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. At December 31, 2019, 35% of the County's investments were in STAR Ohio, 19% were in the Federal Home Loan Mortgage Corporation, 12% were in the Federal Home Loan Bank, 11% were in the Federal Farm Credit Bank, and 6% were in the Federal National Mortgage Association.

**Credit Risk:** The County's investments in the Federal Farm Credit Bank, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's at December 31, 2019. The County's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investor Service at December 31, 2019. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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.

Public utility property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

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, 2019 was \$9.10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Agricultural/Residential Real Property	\$927,218,180	78.87
Other Real Property	201,597,710	17.15
Public Utility Personal Property	46,828,300	3.98
Total Assessed Value	<u>\$1,175,644,190</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 Treasurer of State 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 Treasurer of State then has five days in which to draw the warrant payable to the County. Proceeds of the permissive sales and use tax were credited to the General Fund and the Permanent Improvement Fund during 2019. 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 2019 amounted to \$9,367,443 in the General Fund and \$1,441,166 in the Permanent Improvement Fund.



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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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 an active enterprise zone agreement with one local business. The agreement exempts 100% of the new real property investment of the business from taxation for a period of ten years. For the year ended December 31, 2019, the County abated property taxes totaling \$8,346 under this program.

Tax Abatements of Other Governments

For the year ended December 31, 2019, County property tax receipts were reduced by \$4,066 under tax abatement agreements entered into by the Village of Anna, by \$12,917 under agreements entered into by the City of Sidney, by \$5,787 under agreements entered into by the Village of Botkins, by \$18,797 under agreements entered into by the Village of Jackson Center, and by \$501 under an agreement entered into by the Village of Russia, for a total of \$42,068.

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 carried a 1.25% interest rate and reached final maturity on July 17, 2019. The bonds were purchased from the Auto and Gas and Permanent Improvement Funds. More information about this manuscript debt can be found in Note 15.

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2019, the Permanent Improvement Fund had an interfund receivable of \$642,023, nonmajor governmental funds had interfund payables of \$330,000, the Fair Haven Enterprise Fund had an interfund payable of \$300,000, and the Sewer Enterprise Fund had an interfund payable of \$12,023.

The interfund receivables and payables are the repayment of advances. With the exception of \$8,000 of the interfund payable from the Sewer Enterprise Fund, the advances are expected to be repaid within a year.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 10 - INTERFUND TRANSACTIONS (Continued)**

Transfers in and out during the year ended December 31, 2019, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$4,004,921
Auto License and Gas Fund	1,785,349	0
Other Governmental Funds	2,219,572	0
Total Governmental Funds	\$4,004,921	\$4,004,921

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 2019, the County contracted with the Mid West Pool Risk Management Agency, Inc. for liability, property and crime insurance. The listing below is a general description of insurance coverage. All policy terms, conditions, restrictions, exclusions, etc. are not included.

Coverage provided by the insurance pool is as follows:

Liability	
General Liability	\$2,000,000
Public Official Errors and Omissions Liability	2,000,000
Law Enforcement Liability	2,000,000
Employee Benefit Liability	2,000,000
Auto Liability	2,000,000
Ohio Stop Gap	2,000,000
Crime	
Employee Dishonesty	2,000,000
Depositors Forgery	2,000,000
Money and Securities	25,000
Cyber Liability and Privacy	2,000,000
Excess Liability	4,000,000

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 11 - RISK MANAGEMENT** (Continued)

Excess Healthcare Professional Liability	3,000,000
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.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

Pensions and OPEB 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 net pension liability and the net OPEB liability represent the County's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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/OPEB are financed; however, the County does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 13 for the OPEB disclosures.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

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

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

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

When a traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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 is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local	Law Enforcement
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	18.1 %
Employee *	10.0 %	***
 <b>2019 Actual Contribution Rates</b>		
Employer:		
Pension ****	14.0 %	18.1 %
Post-employment Health Care Benefits ****	0.0	0.0
 Total Employer	 14.0 %	 18.1 %
 Employee	 10.0 %	 13.0 %

- \* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\*\* This rate is determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

The County's contractually required contribution was \$2,782,580 for 2019.

***Plan Description - State Teachers Retirement System (STRS)***

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

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.



**Shelby County, Ohio**  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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 to 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.

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. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The County's contractually required contribution to STRS was \$184,521 for 2019.

***Net Pension Liability***

The net pension liability for OPERS was measured as of December 31, 2018, 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, 2019, 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:

	OPERS		
	<u>Traditional Plan</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.13980700%	0.01084044%	
Prior Measurement Date	<u>0.13907900%</u>	<u>0.01070910%</u>	
Change in Proportionate Share	<u>0.00072800%</u>	<u>0.00013134%</u>	
Proportionate Share of the:			
Net Pension Liability	\$38,290,341	\$2,397,299	\$40,687,640

***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.



**Shelby County, Ohio**  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2018, 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 (traditional)
COLA or Ad Hoc COLA	3 percent through 2018, then 2.15 percent, simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees Mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year was then established as 2015 for males and 2010 for females. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality tables for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year was then established as 2015 for males and 2010 for females. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality tables for males and females, 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 2018 OPERS managed investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, and the annuitized accounts of the Member-Directed Plan. 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 annual money weighted rate of return, net of investments expense, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

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 2018 and the long-term expected real rates of return:

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2019

**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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
<b>Total</b>	<b>100.00 %</b>	<b>5.95 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 7.20 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 7.20 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 (6.20 percent) or one-percentage-point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
<b>County's proportionate share of the net pension liability</b>			
OPERS Traditional Plan	\$56,565,912	\$38,290,341	\$23,103,107

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2019, 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

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2019, 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, 2018 valuation (latest available) are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	1.00	2.25
Total	100.00 %	

\*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30 year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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, 2019. 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, 2019.

**Shelby County, Ohio**  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

***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	\$3,503,385	\$2,397,299	\$1,460,940

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

***Net OPEB Liability***

The net OPEB 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. See Note 12 for a description of the net OPEB liability.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care 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 postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The OPERS Board did not allocate any of the employer contribution to health care for the Traditional Plan and the Combined Plan during calendar year 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

The County's contractually required contribution was \$0 for 2019.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The net OPEB liability for STRS was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County’s proportion of the net OPEB liability was based on the County’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	STRS	
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.137006%	0.0108404%	
Prior Measurement Date	0.135870%	0.0107091%	
Change in Proportionate Share	0.0011360%	0.0001313%	
			Total
Proportionate Share of the Net OPEB Liability (Asset)	\$17,862,842	(\$179,544)	\$17,683,298

***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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:



**Shelby County, Ohio**  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
<b>Total</b>	<b>100.00 %</b>	<b>5.16 %</b>

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
County's proportionate share of the net OPEB liability	\$22,852,601	\$17,862,842	\$13,893,778



**Shelby County, Ohio**  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$17,169,592	\$17,862,842	\$18,660,217

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Municipal Bond Yield	3.50 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	7.45 percent
Health Care Cost Trends	4 to 9.62 percent initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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

**Shelby County, Ohio**  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.944 percent to 1.984 percent per year of service, and the Medicare Part B premium reimbursements were extended to January 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class for the July 1, 2018 valuation (latest available) are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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	1.00	2.25
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate

**Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Shelby County, Ohio**  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
County's proportionate share of the net OPEB asset	(\$153,205)	(\$179,544)	(\$201,689)
	1% Decrease	Current Trend Rate	1% Increase
County's proportionate share of the net OPEB asset	(\$203,594)	(\$179,544)	(\$150,088)

**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 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.

**Shelby County, Ohio**  
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**NOTE 15 - LONG-TERM DEBT OBLIGATIONS**

For 2019, the County implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The County has incorporated any required disclosures into the following note.

**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 carried a 1.25% interest rate and reached final maturity on July 17, 2019. The bonds were purchased from the Auto and Gas and Permanent Improvement Funds and were repaid by the Capital Improvement Tax Fund, an Other Governmental Fund. During 2019, the final \$624,000 of the debt was retired.

**Business-Type Activities Debt**

Details of the changes in the business-type activities long-term debt for the year ended December 31, 2019 are indicated below:

	Balance at 12/31/18	Increases	Decreases	Balance at 12/31/19	Due Within One Year
<b><u>General Obligation Bonds</u></b>					
2017 County Home Bonds – 3.50-4.00%	\$9,000,000	\$0	\$0	\$9,000,000	\$0
2018 County Home Bonds – 2.00-4.00%	4,000,000	0	240,000	3,760,000	245,000
<b>Total General Obligation Bonds</b>	<b>13,000,000</b>	<b>0</b>	<b>240,000</b>	<b>12,760,000</b>	<b>245,000</b>
<b><u>Loans from direct borrowings:</u></b>					
2005 Ft. Loramie Sewer OWDA Loan - 3.75%	766,410	0	83,816	682,594	43,090
2006 McCartyville Sewer OWDA Loan – 0.00%	289,582	0	32,176	257,406	16,088
2009 Millcreek Sewer OWDA Loan – 1.50%	316,332	0	12,569	303,763	6,356
2010 Millcreek Sewer OPWC Loan – 0.00%	110,316	0	4,903	105,413	2,451
2011 Kettlersville Sewer USDA Loan – 3.50%	485,000	0	8,000	477,000	8,000
2014 Arrowhead Hills Sewer OPWC Loan – 0.00%	58,536	0	2,342	56,194	1,171
2016 BonTon Lift Station OWDA Loan – 0.71%	167,796	0	9,038	158,758	4,543
2017 Newport Sewer USDA Loan – 2.375%	511,000	0	8,404	502,596	8,605
<b>Total Loans from Direct Borrowing</b>	<b>2,704,972</b>	<b>0</b>	<b>161,248</b>	<b>2,543,724</b>	<b>90,304</b>
<b>Total Enterprise Long-Term Debt</b>	<b>\$15,704,972</b>	<b>\$0</b>	<b>\$401,248</b>	<b>\$15,303,724</b>	<b>\$335,304</b>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
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**NOTE 15 - LONG-TERM DEBT OBLIGATIONS** (Continued)

On December 28, 2017, the County issued \$9,000,000 in general obligation bonds for the purpose of financing permanent improvements at the Fair Haven 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. The remaining \$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.

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.

On February 1, 2018, the County issued additional general obligation bonds in the amount of \$4,000,000 for the for the purpose of financing permanent improvements at the Fair Haven County Home. Of these bonds, a total of \$3,300,000 are serial bonds with annual maturity of December 1, 2019 through December 1, 2030, and \$700,000 are term bonds maturing December 1, 2032. 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, 2019*

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

The term bonds maturing December 1, 2032, 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 \$340,000 on December 1, 2031. The remaining principal amount of \$360,000 will be paid at stated maturity.

Loans from direct borrowing

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 2006 McCartyville Sewer OWDA loan is a twenty year, \$643,518 loan for the planning and construction of the McCartyville Sewer Collection System. The 2009 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 2011 Kettlersville Sewer USDA loan is a 30 year, \$520,000 loan. The 2014 Arrowhead Hills OPWC loan is a thirty year loan that was issued in the amount of \$70,245 for the purpose of making improvements to the Arrowhead Hills Water System. The 2016 BonTon liftstation OWDA loan is a 20 year, \$190,112 loan. The 2017 Newport Sewer USDA Loan is a 38 year, \$511,000 loan. All of these loans are being repaid from operating receipts of the Sewer Fund.

According to the terms of the OWDA loans, a default of the loan will result if a payment is not made payments more than five days past due will accrue interest at the default rate, which is the contract rate plus three percent. Amounts in default for more than thirty days will accrue an additional default penalty of one percent of the default amount for each thirty days past due. All costs incurred by the OWDA in curing the default, including court costs and attorney fees, shall be paid as part of the eligible project costs and be repaid by the County to the OWDA as part of the Original Loan Amount. In addition, if the County fails to maintain the proper insurance coverage or fails to maintain the project facilities in accordance with the agreement, the OWDA may take out such insurance policies and make such repairs to the facilities as are required to insure compliance with the agreement, and all such costs will become an additional obligation of the County to the OWDA. Such amounts will bear interest at the contract rate or eight percent per annum, whichever is greater. In the event of any default by the County that continues beyond 30 days after written notification from the OWDA, the OWDA may (1) declare the full amount of the Original Loan Amount to be immediately due and payable, and/or (2) require the County to subordinate the payment of any fines or penalties imposed for the violation of any federal, state, or local environmental law or regulation applicable to the project system to the payment of the Original Loan Amount.

According to the terms of the OPWC loans, any payments not received within 30 days of the due date will accrue interest at a rate of eight percent per annum and the remaining principal, along with all accrued interest and charges, shall, at the OPWC's option, become immediately due and payable. In addition, the OPWC, may, in accordance with Section 164.05 of the Ohio Revised Code, direct the County Treasurer to pay the amount due from the County's local government fund. The OPWC may collect all costs incurred in curing the default, including court costs and attorney fees.

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

According to the terms of the USDA loans, in the event of default by the County on any payments of principal or interest, or in the terms of the agreement, the USDA may: (1) declare the entire principal and interest amount outstanding due and payable, (2) pay reasonable expenses for repair, maintenance, and operation of the facility as may be necessary to cure the case of default of the terms, and charge those costs to the County's loan, and/or (3) take possession of the facility, repair, maintain, and operate or rent it. A default on one USDA loan constitutes default on all USDA loans outstanding.

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, 2019, are an overall debt margin of \$27,891,105 and an unvoted debt margin of \$11,756,442.

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			
	County Home Series 2017		County Home Series 2018	
	Principal	Interest	Principal	Interest
2020	\$0	\$347,362	\$245,000	\$126,175
2021	0	347,362	250,000	121,275
2022	0	347,362	250,000	116,275
2023	0	347,362	260,000	110,025
2024	0	347,362	265,000	103,525
2025-2029	0	1,736,812	1,460,000	383,100
2030-2034	845,000	1,601,769	1,030,000	83,600
2035-2039	2,405,000	1,401,881	0	0
2040-2044	2,960,000	848,288	0	0
2045-2048	2,790,000	162,399	0	0
Total	\$9,000,000	\$7,487,959	\$3,760,000	\$1,043,975



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

**Loans from Direct Borrowing**

Year	Sewer Loans					
	Ft. Loramie Sewer OWDA		McCartsville Sewer OWDA		Millcreek Sewer OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$43,090	\$12,799	\$16,088	\$0	\$6,356	\$2,278
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	95,455	16,323	32,176	0	13,245	4,023
2024	99,068	12,710	32,176	0	13,444	3,824
2025-2029	264,388	15,055	112,614	0	70,318	16,019
2030-2034	0	0	0	0	75,772	10,566
2035-2039	0	0	0	0	81,651	4,687
2040-2042	0	0	0	0	17,075	192
<b>Totals</b>	<b>\$682,594</b>	<b>\$99,850</b>	<b>\$257,406</b>	<b>\$0</b>	<b>\$303,763</b>	<b>\$50,222</b>

  

Year	Millcreek Sewer OPWC		Kettlersville Sewer USDA		Arrowhead Hills OPWC	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$2,451	\$0	\$8,000	\$16,099	\$1,171
2021	4,903	0	9,000	15,829	2,341	0
2022	4,903	0	9,000	15,525	2,341	0
2023	4,903	0	9,000	15,221	2,341	0
2024	4,903	0	10,000	14,918	2,341	0
2025-2029	24,515	0	53,000	69,425	11,705	0
2030-2034	24,515	0	63,000	59,805	11,706	0
2035-2039	24,514	0	74,000	48,497	11,710	0
2040-2044	9,806	0	89,000	35,000	10,538	0
2045-2049	0	0	106,000	18,934	0	0
2050-2054	0	0	47,000	2,396	0	0
<b>Totals</b>	<b>\$105,413</b>	<b>\$0</b>	<b>\$477,000</b>	<b>\$311,649</b>	<b>\$56,194</b>	<b>\$0</b>



**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

Year	BonTon OWDA		Newport USDA	
	Principal	Interest	Principal	Interest
2020	\$4,543	\$564	\$8,605	\$11,886
2021	9,134	1,078	8,810	11,681
2022	9,200	1,014	9,021	11,470
2023	9,265	948	9,236	11,255
2024	9,331	882	9,457	11,034
2025-2029	47,658	3,407	50,784	51,671
2030-2034	49,378	1,688	57,145	45,310
2035-2039	20,249	180	64,308	38,147
2040-2044	0	0	72,365	30,090
2045-2049	0	0	81,434	21,021
2050-2054	0	0	91,638	10,817
2055-2059	0	0	39,793	1,189
Totals	\$158,758	\$9,761	\$502,596	\$255,571

**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 \$10,570,000 outstanding as of December 31, 2019. 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.

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**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**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, 2019, were as follows:

Fund Balance	General	Public Assistance	Auto License and Gas	Developmental Disabilities
<b>Non-Spendable</b>				
Unclaimed Monies	\$113,529			
<b>Total Non-Spendable</b>	<u>113,529</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Restricted for:</b>				
Roads, Bridges, and Culverts			6,281,345	
Ditch Maintenance				
Public Assistance		391,036		
Developmental Disabilities				15,807,873
Dog and Kennel				
Real Estate Assessment and Collection				
Election Security and Accessibility				
Judiciary Operations and Special Projects				
Public Safety				
Child Support Enforcement				
Children’s Services				
Domestic Violence				
Community Development				
Emergency Management				
STAR House Operations				
STAR House Construction				
Capital Improvements				
<b>Total Restricted</b>	<u>0</u>	<u>391,036</u>	<u>6,281,345</u>	<u>15,807,873</u>
<b>Committed to:</b>				
Sheriff Commissary				
<b>Total Committed</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Assigned for:</b>				
Subsequent Year Appropriations	2,023,304			
Unpaid Obligations	185,814			
Recycling Center	59,928			
Court Appointed Special Advocates	102,406			
Crimestoppers Rewards	12,721			
<b>Total Assigned</b>	<u>2,384,173</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Unassigned</b>	<u>2,249,817</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<u>\$4,747,519</u>	<u>\$391,036</u>	<u>\$6,281,345</u>	<u>\$15,807,873</u>

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 16 – FUND BALANCE (Continued)**

Fund Balance	Permanent Improvement	Other Governmental Funds	Total
<b>Non-Spendable</b>			
Unclaimed Monies			\$113,529
<b>Total Non-Spendable</b>	0	0	113,529
<b>Restricted for:</b>			
Roads, Bridges, and Culverts		140,309	6,421,654
Ditch Maintenance		580,707	580,707
Public Assistance			391,036
Developmental Disabilities			15,807,873
Dog and Kennel		28,504	28,504
Real Estate Assessment and Collection		927,460	927,460
Election Security and Accessibility		54,350	54,350
Judiciary Operations and Special Projects		1,393,313	1,393,313
Public Safety		634,834	634,834
Child Support Enforcement		331,414	331,414
Children’s Services		426,588	426,588
Domestic Violence		5,418	5,418
Community Development		65,474	65,474
Emergency Management		257,994	257,994
STAR House Operations		64,201	64,201
STAR House Construction		34,147	34,147
Capital Improvements	4,543,055	1,726,909	6,269,964
<b>Total Restricted</b>	4,543,055	6,671,622	33,694,931
<b>Committed to:</b>			
Animal Shelter operations		8,047	8,047
Sheriff Commissary		170,627	170,627
<b>Total Committed</b>	0	178,674	178,674
<b>Assigned for:</b>			
Subsequent Year Appropriations			2,023,304
Unpaid Obligations			185,814
Recycling Center			59,928
Court Appointed Special Advocates			102,406
Crimestoppers Rewards			12,721
<b>Total Assigned</b>	0	0	2,384,173
<b>Unassigned</b>	0	0	2,249,817
<b>Total Fund Balance</b>	\$4,543,055	\$6,850,296	\$38,621,124

**Shelby County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 17- SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of December 31, 2019, the County had significant contractual purchase commitments as follows:

Vendor	Project	Contract Amount	Amount Expended	Balance At 12/31/19
Brumbaugh Construction	Jail Intake Addition	\$1,462,065	\$27,140	\$1,434,925
Complete General Construction	Fair Road Bridge Replacement	2,687,955	1,859,449	828,506
Software Solutions, Inc.	Auditor's Office Accounting Software	154,000	15,400	138,600

**NOTE 18 - JOINT VENTURE**

**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 2019, the County contributed \$27,778 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 2019, a tax levy provided \$564,034 (24 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, 2019*

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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, Union, Champaign, Sandusky, and Wyandot 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 2019, the County made Board allocated payments to WestCON in the amount of \$136,000.

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, Madison, 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 2019, 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 2019, 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, 2019*

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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 Commissioner of member counties has one vote on all matters requiring a vote. The affairs of the Pool are managed by an elected executive board of 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 counties, 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 elected representatives of counties that participate in the program. Directors are commissioners of the member counties. Each member of the consortium is entitled to one vote at the annual meeting to elect the governing board.

NOTE 22 - RELATED PARTY TRANSACTIONS

A. Residential Services Support, Inc. (RSSI)

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, 2019, 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, 2019*

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NOTE 22 - RELATED PARTY TRANSACTIONS (Continued)

B. Shelby County Land Reutilization Corporation

Pursuant to the Ohio Revised Code, the Shelby County Board of Commissioners has authorized 2.5% of all collections of delinquent real property, personal property, and manufactured mobile home taxes deposited into the DTAC fund for use by the Shelby County Land Reutilization Corporation.

Pursuant to Ohio Revised Code, the Shelby County Board of Commissioners has entered into an agreement with the Shelby County Land Reutilization Corporation to provide use of office space and telecommunications, staff support, office supplies, and record storage by the County Treasurer's office for no consideration.

Shelby County issued an interest free loan to the Shelby County Land Reutilization Corporation, with a balance of \$200,000 remaining as of December 31, 2019. The note is due December 31, 2020.

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 EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. The County's investment portfolio and the investments of the pension and other employee benefit plans in which the County participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the County's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**SHELBY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Job and Family Services</i>				
<b>SNAP Cluster</b>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1819-11-5805/G-2021-11-5992		188,503
Total U.S. Department of Agriculture				<b>188,503</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Development Services Agency</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-F-18-1CR-1		91,396
Total U.S. Department of Housing and Urban Development				<b>91,396</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Department of Public Safety</i>				
Crime Victim Assistance	16.575	2019-VOCA-132134447 2019-VOCA-132134430 2020-VOCA-132924481 2020-VOCA-132924459		159,679 99,846 63,039 28,982
Total Crime Victim Assistance				<b>351,546</b>
Total U.S. Department of Justice				<b>351,546</b>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed Through Ohio Department of Job and Family Services (Passed Through Area 7 Workforce Development Board)</i>				
<b>Employment Service Cluster</b>				
Employment Service/Wagner-Peyser Funded Activities	17.207	2018-7375-1/2019-7375-1		39,626
Trade Adjustment Assistance	17.245	2018-7375-1/2019-7375-1		6,441
<b>Workforce Innovation and Opportunity Act (WIOA) Cluster</b>				
WIOA Adult Program	17.258	2018-7375-1/2019-7375-1		85,830
WIOA Youth Activities	17.259	2018-7375-1/2019-7375-1	35,738	35,738
WIOA Dislocated Worker Formula Grants	17.278	2018-7375-1/2019-7375-1		38,299
Total Workforce Innovation and Opportunity Act (WIOA) Cluster			<b>35,738</b>	<b>159,867</b>
Total U.S. Department of Labor			<b>35,738</b>	<b>205,934</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
<b>Special Education (IDEA) Cluster</b>				
Special Education Grants to States	84.027			135,977
Special Education Preschool Grants	84.173			64,248
Total Special Education (IDEA) Cluster				<b>200,225</b>
<i>Passed Through Ohio Department of Developmental Disabilities</i>				
Special Education-Grants for Infants and Families	84.181	07510021HG1019 07510021HG1020		62,283 11,796
Total Special Education Grants for Infants and Families				<b>74,079</b>
Total U.S. Department of Education				<b>274,304</b>
<b>U.S. ELECTION ASSISTANCE COMMISSION</b>				
<i>Passed Through Ohio Secretary of State</i>				
2018 HAVA Election Security Grants	90.404			3,344
Total U.S. Election Assistance Commission				<b>3,344</b>

**SHELBY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

***Passed Through Ohio Department of Mental Health and Addiction Services***

MaryLee Allen Promoting Safe and Stable Families Program	93.556	5AU-19-C0075		2,036
		5AU-20-C0075		7,048
				<u>9,084</u>

***Passed Through Ohio Department of Job and Family Services***

MaryLee Allen Promoting Safe and Stable Families Program	93.556	G-1819-11-5805/G-2021-11-5992		46,460
Total MaryLee Allen Promoting Safe and Stable Families				<u>55,544</u>

**TANF Cluster**

Temporary Assistance for Needy Families	93.558	G-1819-11-5805/G-2021-11-5992	64,750	1,345,147
Child Support Enforcement	93.563	G-1819-11-5805/G-2021-11-5992		494,996

**CCDF Cluster**

Child Care and Development Block Grant	93.575	G-1819-11-5805/G-2021-11-5992		62,129
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1819-11-5805/G-2021-11-5992		32,929

***Passed Through Ohio Department of Mental Health and Addiction Services***

Stephanie Tubbs Jones Child Welfare Services Program	93.645	5AU-19-C0075		252
		5AU-20-C0075		871
				<u>1,123</u>

Total Stephanie Tubbs Jones Child Welfare Services Program				<u>34,052</u>
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***Passed Through Ohio Department of Job and Family Services***

Foster Care Title IV-E	93.658	G-1819-11-5805/G-2021-11-5992		343,219
Adoption Assistance	93.659	G-1819-11-5805/G-2021-11-5992		166,932
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1819-11-5805/G-2021-11-5992		129
Children's Health Insurance Program	93.767	G-1819-11-5805/G-2021-11-5992		78,654
Social Services Block Grant	93.667	G-1819-11-5805/G-2021-11-5992		442,751

***Passed Through Ohio Department of Developmental Disabilities***

Social Services Block Grant	93.667	1901OHSOSR		32,160
Total Social Services Block Grant				<u>474,911</u>

**Medicaid Cluster**

Medical Assistance Program	93.778	1905OH5ADM		55,498
		2005OH5ADM		25,157
				<u>80,655</u>

***Passed Through Ohio Department of Job and Family Services***

Medical Assistance Program	93.778	G-1819-11-5805/G-2021-11-5992		586,998
Total Medicaid Cluster				<u>667,653</u>

***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			35,109
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045			86,465
Nutrition Services Incentive Program	93.053			12,591
Total Aging Cluster				<u>134,165</u>

Total U.S. Department of Health and Human Services			<u>64,750</u>	<u>3,857,531</u>
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**U.S. Department of Homeland Security**

***Passed Through Ohio Department of Public Safety***

Emergency Management Performance Grants	97.042	EMC-2017-EP-00006-S01		2,825
		EMC-2018-EP-00008-S01		43,079
Total Emergency Management Performance Grants				<u>45,904</u>

Total U.S. Department of Homeland Security				<u>45,904</u>
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<b>Total Expenditures of Federal Awards</b>			<u><b>\$100,488</b></u>	<u><b>\$5,018,462</b></u>
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*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, 2019

#### **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, 2019. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

#### **NOTE C – INDIRECT COST RATE**

The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **NOTE D - 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 E - 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, 2019 is \$65,474.

#### **NOTE F - 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, 2019  
(continued)**

**NOTE G – MEDICAL ASSISTANCE PROGRAM MAC RECONCILIATION RECEIPT**

During the calendar year, the County Board of Development Disabilities received a payment for Medicaid Administrative Claiming (MAC) reconciliation of calendar year 2015 and 2016 MAC payments from the Ohio Department of Developmental Disabilities for the Medicaid program (CFDA #93.778) in the amount of \$6 and \$235, respectively. The MAC reconciliation payment was to correct errors of salary amounts provided by the County Board of Developmental Disabilities and subsequently input by the Ohio Department of Developmental Disabilities into the Random Moment Time Study system for calculation of MAC payments. The revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in the prior reporting periods.

**NOTE H - TRANSFERS BETWEEN FEDERAL PROGRAMS**

During fiscal year 2019, the County made allowable transfers of \$5,301 from the Social Services Block Grant (SSBG) (93.667) to the Temporary Assistance for Needy Families (TANF) (93.558) program. The Schedule shows the County spent \$474,911 on the SSBG program. The amount reported for the SSBG program on the Schedule excludes the amount transferred to the TANF program. The amount transferred to the TANF program is included as TANF expenditures when disbursed. The following table shows the gross amount drawn for the SSBG program during fiscal year 2019 and the amount transferred to the TANF program.

Social Services Block Grant	\$480,212
Transfer to Temporary Assistance for Needy Families	<u>(5,301)</u>
<b>Total Social Services Block Grant</b>	<b><u>\$474,911</u></b>

# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2019, 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 2, 2020, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also noted that the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County .

### ***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 2019-001.

**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.



Keith Faber  
Auditor of State  
Columbus, Ohio

September 2, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of 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, 2019.

***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.



Keith Faber  
Auditor of State  
Columbus, Ohio

September 2, 2020



**SHELBY COUNTY**  
**SCHEDULE OF FINDINGS**  
**2 CFR § 200.515**  
**DECEMBER 31, 2019**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	TANF Cluster Medicaid Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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 2019-001**

**Noncompliance**

**Ohio Rev. Code § 117.38(A)** provides 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(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the County to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**FINDING NUMBER 2019-001  
(Continued)**

The County prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed 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. Failure to report on a GAAP basis compromises the County's ability to evaluate and monitor the overall financial condition of the County. To help provide the users with more meaningful financial statements, the County should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:** We will continue with OCBOA reporting in lieu of the more expensive GAAP report preparation and its associated audit. This saves a substantial amount of funds for the County.

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

# Shelby County Auditor



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

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR § 200.511(b)**  
**DECEMBER 31, 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Noncompliance – Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – The County prepared its financial statements in accordance with the modified cash accounting basis rather than GAAP basis.	Not Corrected	We will continue with OCBOA reporting in lieu of the more expensive GAAP report preparation and its associated audit. This saves a substantial amount of funds for the County.

# Shelby County Auditor



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**Amy L. Berning, Auditor**

**Debra A. Francis, Chief Deputy**

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## **CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) DECEMBER 31, 2019**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2019-001	We will continue with OCBOA reporting in lieu of the more expensive GAAP report preparation and its associated audit. This saves a substantial amount of funds for the County.	N/A	Amy Berning, County Auditor

# OHIO AUDITOR OF STATE KEITH FABER



**SHELBY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/24/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)