



SHELBY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

**SHELBY COUNTY
DECEMBER 31, 2021**

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DECEMBER 31, 2021**

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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2021, and the respective changes in modified cash-basis financial position and where applicable cash flows thereof and the respective budgetary comparison for the General, Auto License and Gas, and Developmental Disabilities funds for the year then ended in accordance with the modified cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - 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 of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the County. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.



Keith Faber
Auditor of State
Columbus, Ohio

September 8, 2022

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Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

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, 2021, within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

The County's total net position increased by \$9,522,235 during 2021. Net position of governmental activities increased by \$9,589,243 (about twenty-three percent). Net position of business-type activities decreased by \$67,008 (about three percent).

The General Fund transfers out equaled \$4,309,597. Of these transfers, \$3,960,441 were transfers of sales tax receipts to the Auto License and Gas and non-major funds, and the remaining \$349,156 were transfers to subsidize various programs of the non-major governmental funds.

Enterprise fund operations showed total operating receipts of \$8,028,308 and total operating expenses of \$7,499,090 for an operating income of \$529,218. Total business-type unrestricted net position at December 31, 2021, was \$1,930,530. This total includes \$1,296,326 for the Fair Haven Fund and \$634,204 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, 2021

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, public works, general government, and capital outlay.

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, 2021

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 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 2021 compared to 2020.

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------|-------------------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | | |
| Cash and Investments | \$51,724,382 | \$42,135,139 | \$2,219,056 | \$2,286,064 | \$53,943,438 | \$44,421,203 |
| Total Assets | 51,724,382 | 42,135,139 | 2,219,056 | 2,286,064 | 53,943,438 | 44,421,203 |
| Net Position | | | | | | |
| Restricted for: | | | | | | |
| Other Purposes | 35,466,584 | 30,291,752 | 0 | 0 | 35,466,584 | 30,291,752 |
| Capital Outlay | 9,181,903 | 6,105,756 | 288,526 | 287,290 | 9,470,429 | 6,393,046 |
| Unrestricted | 7,075,895 | 5,737,631 | 1,930,530 | 1,998,774 | 9,006,425 | 7,736,405 |
| Total Net Position | \$51,724,382 | \$42,135,139 | \$2,219,056 | \$2,286,064 | \$53,943,438 | \$44,421,203 |

Total net position increased \$9,522,235. Net position of governmental activities increased \$9,589,243 (about twenty-three percent) during 2021.

Net position of business-type activities decreased \$67,008, about three percent.

Table 2 reflects the changes in net position in fiscal year 2021, along with a comparison to 2020.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$8,659,801 | \$7,944,184 | \$7,941,147 | \$8,919,867 | \$16,600,948 | \$16,864,051 |
| Operating Grants, Contributions and Interest | 15,435,393 | 17,960,447 | 121,132 | 1,116,158 | 15,556,525 | 19,076,605 |
| Capital Grants and Contributions | 507,687 | 396,500 | 0 | 0 | 507,687 | 396,500 |
| Total Program Revenues | 24,602,881 | 26,301,131 | 8,062,279 | 10,036,025 | 32,665,160 | 36,337,156 |
| General Revenues: | | | | | | |
| Property Taxes | 7,027,882 | 6,810,487 | 0 | 0 | 7,027,882 | 6,810,487 |
| Permissive Sales Tax | 12,001,577 | 10,810,998 | 0 | 0 | 12,001,577 | 10,810,998 |
| Other Taxes | 320,851 | 304,473 | 0 | 0 | 320,851 | 304,473 |
| Grants and Entitlements | 7,573,222 | 2,670,521 | 0 | 0 | 7,573,222 | 2,670,521 |
| Interest | 370,913 | 631,486 | 236 | 11,480 | 371,149 | 642,966 |
| Other | 130,391 | 1,109,643 | 87,161 | 118,840 | 217,552 | 1,228,483 |
| Debt Proceeds | 0 | 0 | 205,405 | 309,328 | 205,405 | 309,328 |
| Total General Revenues | 27,424,836 | 22,337,608 | 292,802 | 439,648 | 27,717,638 | 22,777,256 |
| Total Revenues | 52,027,717 | 48,638,739 | 8,355,081 | 10,475,673 | 60,382,798 | 59,114,412 |
| Program Expenses | | | | | | |
| Legislative and Executive | 6,923,790 | 6,362,781 | 0 | 0 | 6,923,790 | 6,362,781 |
| Judicial | 3,243,075 | 3,400,594 | 0 | 0 | 3,243,075 | 3,400,594 |
| Public Safety | 8,104,991 | 8,013,097 | 0 | 0 | 8,104,991 | 8,013,097 |
| Public Works | 8,390,616 | 10,373,900 | 0 | 0 | 8,390,616 | 10,373,900 |
| Health | 371,082 | 399,010 | 0 | 0 | 371,082 | 399,010 |
| Human Services | 13,508,356 | 12,685,781 | 0 | 0 | 13,508,356 | 12,685,781 |
| Economic Development | 59,277 | 201,184 | 0 | 0 | 59,277 | 201,184 |
| Intergovernmental | 226,625 | 243,636 | 0 | 0 | 226,625 | 243,636 |
| Capital Outlay | 1,556,984 | 3,732,746 | 0 | 0 | 1,556,984 | 3,732,746 |
| Fair Haven | 0 | 0 | 7,051,829 | 7,934,617 | 7,051,829 | 7,934,617 |
| Sewer | 0 | 0 | 1,423,938 | 1,467,363 | 1,423,938 | 1,467,363 |
| Total Expenses | 42,384,796 | 45,412,729 | 8,475,767 | 9,401,980 | 50,860,563 | 54,814,709 |
| Increase (Decrease) in Net Position Before Advances | 9,642,921 | 3,226,010 | (120,686) | 1,073,693 | 9,522,235 | 4,299,703 |
| Advances | (53,678) | 288,005 | 53,678 | (288,005) | 0 | 0 |
| Increase (Decrease) in Net Position | 9,589,243 | 3,514,015 | (67,008) | 785,688 | 9,522,235 | 4,299,703 |
| Beginning Net Position | 42,135,139 | 38,621,124 | 2,286,064 | 1,500,376 | 44,421,203 | 40,121,500 |
| Ending Net Position | \$51,724,382 | \$42,135,139 | \$2,219,056 | \$2,286,064 | \$53,943,438 | \$44,421,203 |

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

Governmental Activities

Net position of the County's governmental activities increased \$9,589,243 during 2021, which is about twenty-three percent.

The following table shows total receipts by source for 2021:

| Revenue Sources | 2021 | Percent of Total |
|--------------------------------------|--------------|---------------------|
| Unrestricted grants and entitlements | \$7,573,222 | 14.56% |
| Program Revenues | 24,602,881 | 47.29% |
| General Tax Revenues | 19,350,310 | 37.19% |
| General Other | 501,304 | .96% |
| Total Revenue | \$52,027,717 | 100.00% |

Tax receipts accounted for \$19,350,310 of the \$52,027,717 in total receipts for governmental activities. Sales tax accounted for \$12,001,577, or approximately 62 percent of the total tax receipts, with property taxes and the permissive motor vehicle license tax making up the other 38 percent.

The program revenues are made up of \$8,659,801 in direct charges to users of governmental services and \$15,943,080 in grants and contributions restricted to specific programs.

Human Services disbursements accounted for the largest share of disbursements at approximately 32 percent of total cash disbursements for 2021. Public works and public safety accounted for the next largest shares of disbursements, at 20 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 2021, accounting for about 95 percent of total receipts.

Operating grants and contributions, interest, debt proceeds, and miscellaneous revenue accounted for the other 5 percent of receipts of the business-type activities in 2021.

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 2020 is provided.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

Table 3

| | Governmental Activities | | Governmental Activities | |
|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2021 | 2021 | 2020 | 2020 |
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General Government: | | | | |
| Legislative and Executive | \$6,923,790 | \$3,217,171 | \$6,362,781 | \$1,942,933 |
| Judicial | 3,243,075 | 1,446,389 | 3,400,594 | 1,719,754 |
| Public Safety | 8,104,991 | 4,979,892 | 8,013,097 | 3,798,119 |
| Public Works | 8,390,616 | 1,042,036 | 10,373,900 | 2,835,568 |
| Health | 371,082 | 126,231 | 399,010 | 158,609 |
| Human Services | 13,508,356 | 5,707,952 | 12,685,781 | 5,838,325 |
| Economic Development | 59,277 | (13,678) | 201,184 | (15,994) |
| Intergovernmental | 226,625 | 226,625 | 243,636 | 228,000 |
| Capital Outlay | 1,556,984 | 1,049,297 | 3,732,746 | 2,606,284 |
| Total Disbursements | <u>\$42,384,796</u> | <u>\$17,781,915</u> | <u>\$45,412,729</u> | <u>\$19,111,598</u> |

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

Charges for services, operating grants, and capital grants of approximately 47% of total revenues of governmental activities are received and used to fund the expenses of the County. The remaining 53% of revenues is used to fund the rest of the expenses. The County Commissioners rely on these general revenues, especially taxes, to furnish the quality of life to businesses and citizens to which they and previous County Commissioners have always been committed.

THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 16. All governmental funds had total receipts (excluding advances, transfers, and proceeds from sale of capital assets) of \$53,293,441 and disbursements of \$43,709,771.

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 \$2,400,628 while total fund balance was \$6,898,386, an increase of \$1,278,420 from the prior year. The Auto License and Gas Fund balance increased \$1,870,334. The Developmental Disabilities fund balance increased \$1,029,743. The Permanent Improvement fund balance increased by \$915,240.

The enterprise funds reflect an operating income of \$529,218 for 2021. Fair Haven had an operating income of \$446,880 and a decrease in net position of \$150,390. The Sewer Fund had an operating income of \$82,338 and an increase in net position of \$83,382.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

Major Fund 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 2021, the General Fund had original appropriations of \$22,981,052 and final appropriations of \$23,594,376. Actual expenditures plus encumbrances for 2021 were \$18,598,847.

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, 2021, Shelby County did not have any long-term governmental debt outstanding and had \$14,962,836 in long-term enterprise debt outstanding:

Table 4
 Outstanding Debt at Year End

| | Business-Type Activities | |
|--------------------------|--------------------------|---------------------|
| | 2021 | 2020 |
| General Obligation Bonds | \$12,265,000 | \$12,515,000 |
| Loans | 2,697,836 | 2,687,167 |
| Totals | \$14,962,836 | \$15,202,167 |

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 \$29,966,302 as of December 31, 2021. The more restrictive unvoted legal debt margin was \$12,586,521 as of the same date.

See Note 14 of the notes to the basic financial statements for more detailed information on the County's outstanding debt obligations.

Shelby County, Ohio
Management's Discussion and Analysis
Unaudited
For the Year Ended December 31, 2021

CURRENT FINANCIAL ISSUES

Shelby County will start the year with a relatively strong financial position despite ongoing Covid concerns. Several projects are in the pipeline and work continues to determine projects for which the Federal American Rescue Plan funding will be used. Revenues for 2021 were above projections except for the Sheriff Department. Revenue for 2022 is conservatively expected to increase; inflation and other factors at this time may affect that projection.

Phase 1 and Phase 2 of the fairgrounds sewer and storm drainage improvements have been completed. Phase 3 is mostly completed and the Phase 4 bid has been accepted. Completion of all phases should be during the second quarter of 2022. The jail generator and STAR House generator projects should be completed during the Fall of 2022 and Spring of 2023, respectively. The annex vestibule improvements project is scheduled to start April of 2022 and be completed by June. The jail, STAR House and annex projects have all been affected by material delivery delays.

MCM Consulting Group has been meeting regularly with Commissioners and staff to determine the best option for our emergency radio communications. Bids have been received from four entities. Determination of the best option is close, with construction possibly starting in the fall of 2022. Initial construction and implementation costs are projected to be approximately \$8 million.

Construction upgrades for the Ft. Loramie Waste Water Treatment Plant continue to progress with bid packets provided to contractors in February of 2022. Construction will potentially begin in the fall of 2022 at an estimated cost of \$13.4 million.

In regards to American Rescue Plan Act (ARPA) projects, child daycare and development, broadband, sewer and small business grants are under consideration. The Shelby County commissioners have contracted Shelby County Regional Planning to confer and track ARPA funded projects. ARPA Funding will be \$9.4 Million, with projects being determined by the end of 2024 and completion of projects by the end of 2026.

CONTACTING THE COUNTY AUDITOR'S OFFICE

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

Shelby County, Ohio
Statement of Net Position - Modified Cash Basis
December 31, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$51,103,124 | \$1,810,457 | \$52,913,581 |
| Cash and Cash Equivalents in Segregated Accounts | 108,426 | 120,073 | 228,499 |
| Cash and Cash Equivalents with Fiscal Agent | 100,276 | 0 | 100,276 |
| Investments in Segregated Accounts | 5,632 | 288,526 | 294,158 |
| Investments with Fiscal Agent | 406,924 | 0 | 406,924 |
| <i>Total Assets</i> | <u>\$51,724,382</u> | <u>\$2,219,056</u> | <u>\$53,943,438</u> |
| Net Position | | | |
| Restricted for: | | | |
| Capital Outlay | \$9,181,903 | \$288,526 | \$9,470,429 |
| Other Purposes | 35,466,584 | 0 | 35,466,584 |
| Unrestricted | <u>7,075,895</u> | <u>1,930,530</u> | <u>9,006,425</u> |
| <i>Total Net Position</i> | <u>\$51,724,382</u> | <u>\$2,219,056</u> | <u>\$53,943,438</u> |

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

| | Disbursements | Program Receipts | | |
|---------------------------------------|---------------------|----------------------|--|----------------------------------|
| | | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General Government: | | | | |
| Legislative and Executive | \$6,923,790 | \$3,665,630 | \$40,989 | \$0 |
| Judicial | 3,243,075 | 820,227 | 976,459 | 0 |
| Public Safety | 8,104,991 | 2,285,123 | 839,976 | 0 |
| Public Works | 8,390,616 | 952,989 | 6,395,591 | 0 |
| Health | 371,082 | 232,553 | 12,298 | 0 |
| Human Services | 13,508,356 | 703,279 | 7,097,125 | 0 |
| Economic Development | 59,277 | 0 | 72,955 | 0 |
| Intergovernmental | 226,625 | 0 | 0 | 0 |
| Capital Outlay | 1,556,984 | 0 | 0 | 507,687 |
| <i>Total Governmental Activities</i> | <u>42,384,796</u> | <u>8,659,801</u> | <u>15,435,393</u> | <u>507,687</u> |
| Business-type activities: | | | | |
| Fair Haven | 7,051,829 | 6,753,455 | 121,132 | 0 |
| Sewer | 1,423,938 | 1,187,692 | 0 | 0 |
| <i>Total business-type activities</i> | <u>8,475,767</u> | <u>7,941,147</u> | <u>121,132</u> | <u>0</u> |
| <i>Total primary government</i> | <u>\$50,860,563</u> | <u>\$16,600,948</u> | <u>\$15,556,525</u> | <u>\$507,687</u> |

General Receipts:
Property Taxes Levied for:
 General Purposes
 Other Purposes
Permissive Sales Taxes
Permissive Motor Vehicle License Tax
Grants and Entitlements not Restricted to Specific Programs
Proceeds of Loans
Unrestricted Investment Earnings
Gifts and Donations
Miscellaneous
Advances
Total General Receipts

Change in Net Position

Net Position Beginning of Year

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 |
| (\$3,217,171) | \$0 | (\$3,217,171) |
| (1,446,389) | 0 | (1,446,389) |
| (4,979,892) | 0 | (4,979,892) |
| (1,042,036) | 0 | (1,042,036) |
| (126,231) | 0 | (126,231) |
| (5,707,952) | 0 | (5,707,952) |
| 13,678 | 0 | 13,678 |
| (226,625) | 0 | (226,625) |
| (1,049,297) | 0 | (1,049,297) |
| <u>(17,781,915)</u> | <u>0</u> | <u>(17,781,915)</u> |
| 0 | (177,242) | (177,242) |
| 0 | (236,246) | (236,246) |
| 0 | (413,488) | (413,488) |
| <u>(17,781,915)</u> | <u>(413,488)</u> | <u>(18,195,403)</u> |
| 2,471,931 | 0 | 2,471,931 |
| 4,555,951 | 0 | 4,555,951 |
| 12,001,577 | 0 | 12,001,577 |
| 320,851 | 0 | 320,851 |
| 7,573,222 | 0 | 7,573,222 |
| 0 | 205,405 | 205,405 |
| 370,913 | 236 | 371,149 |
| 32,312 | 0 | 32,312 |
| 98,079 | 87,161 | 185,240 |
| (53,678) | 53,678 | 0 |
| <u>27,371,158</u> | <u>346,480</u> | <u>27,717,638</u> |
| 9,589,243 | (67,008) | 9,522,235 |
| <u>42,135,139</u> | <u>2,286,064</u> | <u>44,421,203</u> |
| <u>\$51,724,382</u> | <u>\$2,219,056</u> | <u>\$53,943,438</u> |

Shelby County, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2021

| | General | Auto License and Gas |
|---|-------------|-------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,821,732 | \$8,094,438 |
| Cash and Cash Equivalents in | | |
| Segregated Accounts | 71,022 | 0 |
| Cash and Cash Equivalents with Fiscal Agent | 0 | 0 |
| Investments in Segregated Accounts | 5,632 | 0 |
| Investments with Fiscal Agent | 0 | 0 |
| <i>Total Assets</i> | \$6,898,386 | \$8,094,438 |
| Fund Balances | | |
| Nonspendable | \$107,703 | \$0 |
| Restricted | 0 | 8,094,438 |
| Committed | 0 | 0 |
| Assigned | 4,390,055 | 0 |
| Unassigned | 2,400,628 | 0 |
| <i>Total Fund Balances</i> | \$6,898,386 | \$8,094,438 |

See accompanying notes to the basic financial statements

| Developmental Disabilities | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|-------------------------------|--------------------------|--------------------------------|--------------------------------|
| \$17,228,307 | \$6,061,002 | \$12,897,645 | \$51,103,124 |
| 0 | 0 | 37,404 | 108,426 |
| 100,276 | 0 | 0 | 100,276 |
| 0 | 0 | 0 | 5,632 |
| 406,924 | 0 | 0 | 406,924 |
| <u>\$17,735,507</u> | <u>\$6,061,002</u> | <u>\$12,935,049</u> | <u>\$51,724,382</u> |
| \$0 | \$0 | \$0 | \$107,703 |
| 17,735,507 | 6,061,002 | 12,649,837 | 44,540,784 |
| 0 | 0 | 285,212 | 285,212 |
| 0 | 0 | 0 | 4,390,055 |
| 0 | 0 | 0 | 2,400,628 |
| <u>\$17,735,507</u> | <u>\$6,061,002</u> | <u>\$12,935,049</u> | <u>\$51,724,382</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, 2021

| | General | Auto License and Gas |
|--|--------------------|-------------------------|
| Receipts | | |
| Property and Other Taxes | \$2,471,931 | \$320,851 |
| Permissive Sales Tax | 10,853,174 | 0 |
| Intergovernmental | 2,292,262 | 6,378,335 |
| Charges for Services | 4,157,444 | 246,107 |
| Licenses and Permits | 550 | 0 |
| Fines and Forfeitures | 187,116 | 0 |
| Special Assessments | 0 | 0 |
| Interest | 370,913 | 17,256 |
| Donations | 0 | 0 |
| Other | 296,493 | 280,661 |
| <i>Total Receipts</i> | <u>20,629,883</u> | <u>7,243,210</u> |
| Disbursements | | |
| Current: | | |
| General Government: | | |
| Legislative and Executive | 5,303,778 | 0 |
| Judicial | 2,561,723 | 0 |
| Public Safety | 5,245,166 | 0 |
| Public Works | 767,704 | 7,386,097 |
| Health | 119,830 | 0 |
| Human Services | 823,490 | 0 |
| Economic Development | 0 | 0 |
| Intergovernmental | 226,625 | 0 |
| Capital Outlay | 0 | 0 |
| <i>Total Disbursements</i> | <u>15,048,316</u> | <u>7,386,097</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>5,581,567</u> | <u>(142,887)</u> |
| Other Financing Sources (Uses) | | |
| Proceeds from Sale of Capital Assets | 6,450 | 33,000 |
| Advances - In | 0 | 0 |
| Advances - Out | 0 | 0 |
| Transfers - In | 0 | 1,980,221 |
| Transfers - Out | (4,309,597) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(4,303,147)</u> | <u>2,013,221</u> |
| <i>Net Change in Fund Balances</i> | 1,278,420 | 1,870,334 |
| <i>Fund Balances Beginning of Year</i> | <u>5,619,966</u> | <u>6,224,104</u> |
| <i>Fund Balances End of Year</i> | <u>\$6,898,386</u> | <u>\$8,094,438</u> |

See accompanying notes to the basic financial statements

| Developmental Disabilities | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|-------------------------------|--------------------------|--------------------------------|--------------------------------|
| \$4,555,951 | \$0 | \$0 | \$7,348,733 |
| 0 | 1,148,403 | 0 | 12,001,577 |
| 2,861,377 | 2,000 | 11,735,956 | 23,269,930 |
| 75,969 | 0 | 3,011,672 | 7,491,192 |
| 0 | 0 | 163,709 | 164,259 |
| 0 | 0 | 194,698 | 381,814 |
| 0 | 0 | 370,079 | 370,079 |
| 307 | 0 | 8 | 388,484 |
| 0 | 0 | 12,398 | 12,398 |
| 228,342 | 0 | 1,059,479 | 1,864,975 |
| 7,721,946 | 1,150,403 | 16,547,999 | 53,293,441 |
| 0 | 0 | 1,620,013 | 6,923,791 |
| 0 | 0 | 681,352 | 3,243,075 |
| 0 | 0 | 2,859,825 | 8,104,991 |
| 0 | 0 | 236,815 | 8,390,616 |
| 0 | 0 | 251,252 | 371,082 |
| 6,692,203 | 0 | 7,317,637 | 14,833,330 |
| 0 | 0 | 59,277 | 59,277 |
| 0 | 0 | 0 | 226,625 |
| 0 | 462,022 | 1,094,962 | 1,556,984 |
| 6,692,203 | 462,022 | 14,121,133 | 43,709,771 |
| 1,029,743 | 688,381 | 2,426,866 | 9,583,670 |
| 0 | 11,300 | 8,500 | 59,250 |
| 0 | 339,236 | 65,000 | 404,236 |
| 0 | (123,677) | (334,236) | (457,913) |
| 0 | 0 | 2,329,376 | 4,309,597 |
| 0 | 0 | 0 | (4,309,597) |
| 0 | 226,859 | 2,068,640 | 5,573 |
| 1,029,743 | 915,240 | 4,495,506 | 9,589,243 |
| 16,705,764 | 5,145,762 | 8,439,543 | 42,135,139 |
| \$17,735,507 | \$6,061,002 | \$12,935,049 | \$51,724,382 |

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, 2021*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|-------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Taxes | \$2,400,000 | \$ 2,400,000 | \$2,471,931 | \$71,931 |
| Permissive Sales Tax | 9,237,000 | 9,987,000 | 10,853,174 | 866,174 |
| Intergovernmental | 2,623,950 | 2,623,950 | 2,292,262 | (331,688) |
| Charges for Services | 2,957,500 | 2,974,180 | 3,407,573 | 433,393 |
| Licenses and Permits | 25,600 | 25,600 | 550 | (25,050) |
| Fines and Forfeitures | 131,000 | 131,000 | 183,816 | 52,816 |
| Interest | 270,000 | 270,000 | 380,040 | 110,040 |
| Other | 121,350 | 136,345 | 153,706 | 17,361 |
| <i>Total Receipts</i> | 17,766,400 | 18,548,075 | 19,743,052 | 1,194,977 |
| Disbursements | | | | |
| Current: | | | | |
| General Government: | | | | |
| Legislative and Executive | 8,053,910 | 8,002,512 | 4,789,284 | 3,213,228 |
| Judicial | 2,696,969 | 2,708,829 | 2,535,137 | 173,692 |
| Public Safety | 6,007,936 | 6,027,405 | 4,987,035 | 1,040,370 |
| Public Works | 813,983 | 848,774 | 782,528 | 66,246 |
| Health | 181,666 | 181,666 | 119,830 | 61,836 |
| Human Services | 982,224 | 1,003,830 | 848,811 | 155,019 |
| Intergovernmental | 226,625 | 226,625 | 226,625 | 0 |
| <i>Total Disbursements</i> | 18,963,313 | 18,999,641 | 14,289,250 | 4,710,391 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (1,196,913) | (451,566) | 5,453,802 | 5,905,368 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 0 | 6,450 | 6,450 | 0 |
| Transfers - Out | (4,017,739) | (4,594,735) | (4,309,597) | 285,138 |
| <i>Total Other Financing Sources (Uses)</i> | (4,017,739) | (4,588,285) | (4,303,147) | 285,138 |
| <i>Net Change in Fund Balance</i> | (5,214,652) | (5,039,851) | 1,150,655 | 6,190,506 |
| <i>Fund Balance Beginning of Year</i> | 2,457,014 | 2,457,014 | 2,457,014 | 0 |
| Prior Year Encumbrances Appropriated | 289,823 | 289,823 | 289,823 | 0 |
| <i>Fund Balance End of Year</i> | (\$2,467,815) | (\$2,293,014) | \$3,897,492 | \$6,190,506 |

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, 2021*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|-------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Taxes | \$150,000 | \$150,000 | \$165,679 | \$15,679 |
| Intergovernmental | 5,465,000 | 5,465,000 | 6,378,335 | 913,335 |
| Charges for Services | 165,000 | 165,000 | 246,107 | 81,107 |
| Interest | 30,000 | 30,000 | 17,270 | (12,730) |
| Other | 153,000 | 153,000 | 280,661 | 127,661 |
| <i>Total Receipts</i> | 5,963,000 | 5,963,000 | 7,088,052 | 1,125,052 |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 13,681,305 | 13,681,305 | 7,371,932 | 6,309,373 |
| <i>Excess of Receipts Under Disbursements</i> | (7,718,305) | (7,718,305) | (283,880) | 7,434,425 |
| Other Financing Sources | | | | |
| Transfers In | 1,650,000 | 1,650,000 | 1,980,221 | 330,221 |
| Proceeds from Sale of Capital Assets | 0 | 0 | 33,000 | 33,000 |
| <i>Total Other Financing Sources</i> | 1,650,000 | 1,650,000 | 2,013,221 | 363,221 |
| <i>Net Change in Fund Balance</i> | (6,068,305) | (6,068,305) | 1,729,341 | 7,797,646 |
| <i>Fund Balance at Beginning of Year</i> | 6,068,305 | 6,068,305 | 6,068,305 | 0 |
| <i>Fund Balance at End of Year</i> | \$0 | \$0 | \$7,797,646 | \$7,797,646 |

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, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Taxes | \$4,457,500 | \$4,457,500 | \$4,555,951 | \$98,451 |
| Intergovernmental | 2,025,444 | 2,025,444 | 2,603,936 | 578,492 |
| Charges for Services | 35,000 | 35,000 | 75,969 | 40,969 |
| Other | 692,510 | 692,510 | 198,342 | (494,168) |
| <i>Total Receipts</i> | <u>7,210,454</u> | <u>7,210,454</u> | <u>7,434,198</u> | <u>223,744</u> |
| Disbursements | | | | |
| Current: | | | | |
| Human Services | 7,461,922 | 7,364,650 | 6,713,691 | 650,959 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(251,468)</u> | <u>(154,196)</u> | <u>720,507</u> | <u>874,703</u> |
| Other Financing Sources (Uses) | | | | |
| Advances - In | 0 | 257,545 | 257,545 | 0 |
| Transfers - Out | (150,000) | (150,000) | (150,000) | 0 |
| Advances - Out | 0 | (303,496) | (151,702) | 151,794 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(150,000)</u> | <u>(195,951)</u> | <u>(44,157)</u> | <u>151,794</u> |
| <i>Net Change in Fund Balance</i> | (401,468) | (350,147) | 676,350 | 1,026,497 |
| <i>Fund Balance at Beginning of Year</i> | 12,036,618 | 12,036,618 | 12,036,618 | 0 |
| Prior Year Encumbrances Appropriated | 96,550 | 96,550 | 96,550 | 0 |
| <i>Fund Balance at End of Year</i> | <u>\$11,731,700</u> | <u>\$11,783,021</u> | <u>\$12,809,518</u> | <u>\$1,026,497</u> |

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Enterprise Funds
December 31, 2021

| | Fair Haven | Sewer | Total |
|--|--------------------|------------------|--------------------|
| Current Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,289,515 | \$520,942 | \$1,810,457 |
| Cash and Cash Equivalents in Segregated Accounts | 6,811 | 113,262 | 120,073 |
| Investments in Segregated Accounts | 288,526 | 0 | 288,526 |
| <i>Total Assets</i> | <u>1,584,852</u> | <u>634,204</u> | <u>2,219,056</u> |
| Net Position | | | |
| Restricted for Capital Improvements | 288,526 | 0 | 288,526 |
| Unrestricted | 1,296,326 | 634,204 | 1,930,530 |
| <i>Total Net Position</i> | <u>\$1,584,852</u> | <u>\$634,204</u> | <u>\$2,219,056</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, 2021

| | Fair Haven | Sewer | Total |
|---|--------------------|------------------|--------------------|
| Operating Receipts | | | |
| Charges for Services | \$6,753,455 | \$1,187,692 | \$7,941,147 |
| Other | 26,616 | 60,545 | 87,161 |
| <i>Total Operating Receipts</i> | <u>6,780,071</u> | <u>1,248,237</u> | <u>8,028,308</u> |
| Operating Disbursements | | | |
| Personal Services | 4,413,894 | 411,611 | 4,825,505 |
| Contractual Services | 811,154 | 676,091 | 1,487,245 |
| Materials and Supplies | 579,686 | 50,223 | 629,909 |
| Capital Outlay | 121,240 | 26,488 | 147,728 |
| Other | 407,217 | 1,486 | 408,703 |
| <i>Total Operating Disbursements</i> | <u>6,333,191</u> | <u>1,165,899</u> | <u>7,499,090</u> |
| <i>Operating Income</i> | <u>446,880</u> | <u>82,338</u> | <u>529,218</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Interest | 236 | 0 | 236 |
| Operating Grants and Contributions | 121,132 | 0 | 121,132 |
| Proceeds of Loans | 0 | 205,405 | 205,405 |
| Principal Retirement | (250,000) | (194,736) | (444,736) |
| Interest and Fiscal Charges | (468,638) | (63,303) | (531,941) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(597,270)</u> | <u>(52,634)</u> | <u>(649,904)</u> |
| <i>Income (Loss) Before Advances</i> | (150,390) | 29,704 | (120,686) |
| Advances In | 0 | 58,678 | 58,678 |
| Advances Out | 0 | (5,000) | (5,000) |
| <i>Change in Net Position</i> | (150,390) | 83,382 | (67,008) |
| <i>Net Position Beginning of Year</i> | <u>1,735,242</u> | <u>550,822</u> | <u>2,286,064</u> |
| <i>Net Position End of Year</i> | <u>\$1,584,852</u> | <u>\$634,204</u> | <u>\$2,219,056</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, 2021

| | Fair Haven | Sewer | Total |
|--|--------------------|------------------|--------------------|
| Increase (Decrease) in Cash and Cash Equivalents: | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers and Support | \$6,753,455 | \$1,187,692 | \$7,941,147 |
| Cash Received from Other Operating Receipts | 26,616 | 60,545 | 87,161 |
| Cash Payments for Employee Services and Benefits | (4,413,894) | (411,611) | (4,825,505) |
| Cash Payments to Suppliers and Contractors | (1,512,080) | (752,802) | (2,264,882) |
| Cash Payments for Other Operating Disbursements | (407,217) | (1,486) | (408,703) |
| <i>Net Cash Provided by Operating Activities</i> | <u>446,880</u> | <u>82,338</u> | <u>529,218</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants | 121,132 | 0 | 121,132 |
| Advances In | 0 | 58,678 | 58,678 |
| Advances Out | 0 | (5,000) | (5,000) |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <u>121,132</u> | <u>53,678</u> | <u>174,810</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Loan Proceeds | 0 | 205,405 | 205,405 |
| Bond Principal Payments | (250,000) | 0 | (250,000) |
| Bond Interest Payments | (468,638) | 0 | (468,638) |
| Loan Principal Repayment | 0 | (194,736) | (194,736) |
| Loan Interest Payments | 0 | (63,303) | (63,303) |
| <i>Net Cash Used in Capital and Related Financing Activities</i> | <u>(718,638)</u> | <u>(52,634)</u> | <u>(771,272)</u> |
| Cash Flows from Investing Activities | | | |
| Interest | 236 | 0 | 236 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (150,390) | 83,382 | (67,008) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>1,735,242</u> | <u>550,822</u> | <u>2,286,064</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$1,584,852</u> | <u>\$634,204</u> | <u>\$2,219,056</u> |

See accompanying notes to the basic financial statements

Shelby County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2021

| | Private Purpose Trust | Custodial |
|--|--------------------------|-------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$35,608 | \$3,826,249 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 536,133 |
| Investments in Segregated Accounts | 0 | 101,328 |
| <i>Total Assets</i> | 35,608 | \$4,463,710 |
| Net Position | | |
| Restricted for Agencies of the County | \$0 | \$2,207,248 |
| Restricted for Individuals, Organizations, and Other Governments | 0 | 2,256,462 |
| Restricted for Trust Beneficiaries | 35,608 | 0 |
| <i>Total Net Position</i> | 35,608 | 4,463,710 |

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, 2021

| | Private Purpose Trust | Custodial Funds |
|--|--------------------------|--------------------|
| Additions | | |
| Property Tax Collections for Other Governments | | \$45,823,788 |
| Intergovernmental | | 5,218,580 |
| Auto Title Fee Collections | | 5,325,675 |
| Amounts Received as Fiscal Agent | | 3,968,250 |
| Fines and Forfeitures for Other Governments | | 569,487 |
| Licenses, Permits, and Fees for Other Governments | | 305,773 |
| Sheriff Sale Collections for Other Governments | | 172,238 |
| Amounts Received for Others | 2,573 | 290,917 |
| <i>Total Additions</i> | <u>2,573</u> | <u>61,674,708</u> |
| Deductions | | |
| Distributions of Property Taxes to Other Governments | | 45,643,604 |
| Distributions of State Funds to Other Governments | | 5,218,742 |
| Distributions to the State of Ohio | | 5,634,125 |
| Distributions as Fiscal Agent | | 3,458,408 |
| Distribution of Fines and Forfeitures to Other Governments | | 472,360 |
| Sheriff Sale Distributions to Other Governments | | 172,238 |
| Other Distributions | 3,000 | 324,211 |
| <i>Total Deductions</i> | <u>3,000</u> | <u>60,923,688</u> |
| <i>Change in Net Position</i> | (427) | 751,020 |
| <i>Net Position Beginning of Year</i> | <u>36,035</u> | <u>3,712,690</u> |
| <i>Net Position End of Year</i> | <u>\$35,608</u> | <u>\$4,463,710</u> |

See accompanying notes to the basic financial statements

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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, 2021

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:

Sidney-Shelby County Board of Health
Shelby County Soil and Water Conservation District
Shelby County Regional Planning Commission
Shelby County Park District
Shelby County Family and Children First Council

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 17 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 18 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 19. 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 20.

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, 2021

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, 2021

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.

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, 2021

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: Board of Health, Soil and Water Conservation District, Regional Planning Commission, Park District, and Family and Children First Council.

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 2021, the County invested in STAR Ohio, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Bank, U.S. Treasury Notes, municipal bonds, commercial paper, corporate notes and bonds, negotiable certificates of deposit, and the First American Treasury Obligation Fund.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The County measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$370,913 were credited to the General Fund during 2021, which includes \$324,116 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.

Prepaid Items

On the modified cash basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2021, 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

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 2021.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 3 – 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 4 - 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 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 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 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 Auto License and Gas Fund, and the Developmental Disabilities Fund are as follows:

| | General | Auto License and Gas | Developmental Disabilities |
|-------------------------|--------------------|-------------------------|-------------------------------|
| Modified Cash Basis | \$1,278,420 | \$1,870,334 | \$1,029,743 |
| Adjustments: | | | |
| Encumbrances | (154,974) | (82,121) | (119,970) |
| Unrecorded Cash 2020 | 91,937 | 1,698 | 0 |
| Unrecorded Cash 2021 | (43,992) | (1,684) | 0 |
| Perspective Differences | (20,736) | (58,886) | (138,991) |
| Non-Budgeted Activity | 0 | 0 | (94,432) |
| Budget Basis | <u>\$1,150,655</u> | <u>\$1,729,341</u> | <u>\$676,350</u> |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable 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 this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within ten years from the date of settlement;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts in eligible institutions pursuant to ORC section 135.32;
6. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service or consisting exclusively of obligations described in (1) or (2) above; commercial paper as described in ORC section 135.143 (6); and repurchase agreements secured by such obligations, provided these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value, within certain limitations;

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

9. Up to forty percent of the County's average portfolio in either of the following, if training requirements have been met:
 - 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 classification 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, and the investment in commercial paper notes of a single issuer shall not exceed the aggregate five percent of interim monies available for investment at the time of purchase;
 - b. banker's acceptances of banks that are insured by the Federal Deposit Insurance Corporation and that mature not later than 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 three highest categories by at least two nationally recognized standard rating services at the time of purchase and the notes mature not later than three years after 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, subject to certain limitations. 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.

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."

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the County had \$58,100 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, \$3,373,192 of the County’s bank balance of \$5,039,847 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.

B. Investments

The fair value of these investments is not materially different than measurement value. As of December 31, 2021, the County had the following investments:

| Investment Type | Measurement Value | Investment Maturities | | |
|--|-----------------------|-----------------------|---------------------|---------------------|
| | | Less Than One Year | One to Three Years | Three to Five Years |
| STAR Ohio | \$14,323,787 | \$14,323,787 | \$0 | \$0 |
| Federal Home Loan Mortgage Corporation | 3,864,120 | 0 | 1,797,785 | 2,066,335 |
| Federal National Mortgage Association | 2,315,705 | 0 | 823,630 | 1,492,075 |
| Federal Farm Credit Bank | 4,192,077 | 100,128 | 1,150,241 | 2,941,708 |
| Federal Home Loan Bank | 4,752,120 | 101,404 | 962,421 | 3,688,295 |
| U.S. Treasury Notes | 5,711,183 | 99,910 | 2,606,877 | 3,004,396 |
| Municipal Bonds | 3,039,086 * | 384,086 | 225,000 | 2,130,000 |
| Commercial Paper | 3,084,080 | 3,084,080 | 0 | 0 |
| Corporate Bonds and Notes | 1,952,888 | 0 | 1,952,888 | 0 |
| Negotiable CD’s | 9,812,998 | 3,632,418 | 4,944,544 | 1,236,036 |
| First American Treasury Obligation | 32,992 | 32,992 | 0 | 0 |
| Total | \$53,081,036 * | \$21,758,805 | \$14,463,386 | \$16,558,845 |

*\$300,000 of the municipal bonds had a maturity of greater than five years at 12/31/21.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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. 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, 2021, 27% of the County's investments were in STAR Ohio, 7% were in the Federal Home Loan Mortgage Corporation, 8% were in the Federal Farm Credit Bank, 9% were in the Federal Home Loan Bank, and 11% were in U.S. Treasury Notes.

Credit Risk: 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. The County's investments in the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Bank, and U.S. Treasury notes were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's at December 31, 2021. The County's investments in municipal bonds were rated Aaa, Aa1, Aa2, and Aa3 by Moody's Investors Service and SP-1+, AA, AA+, and AAA by Standard & Poor's at December 31, 2021. The County's investments in commercial paper were rated P-1 by Moody's Investor Service and A-1 and A1+ by Standard & Poor's at December 31, 2021. The County's investment in corporate bonds and notes was rated A1 and A2 by Moody's Investors Service and A, A+, and AA by Standard & Poor's at December 31, 2021. 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. The negotiable certificates of deposit are not rated, but are fully insured by the FDIC.

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, governing board, 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."

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property (other than public utility) located in the County. Property tax revenue received during 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes are levied after October 1, 2020 on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - PROPERTY TAXES (Continued)

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. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2020, and are collected in 2021 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, 2021 was \$9.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2021 property tax receipts were based are as follows:

| Category | Assessed Value | Percent |
|--|-----------------|---------|
| Agricultural/Residential Real Property | \$1,004,012,680 | 79.77 |
| Other Real Property | 204,628,320 | 16.25 |
| Public Utility Personal Property | 50,011,070 | 3.98 |
| Total Assessed Value | \$1,258,652,070 | 100.00% |

NOTE 7 - PERMISSIVE SALES AND USE TAX

The County has a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. The first 1 percent was imposed by the County Commissioners, by resolution, for general operations and permanent improvements. Beginning April 1, 2013, the additional .50 percent was allocated by resolution to road and bridge improvement projects (.25 percent) and to capital improvements (.25 percent). Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the 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 2021. 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 2021 amounted to \$10,853,174 in the General Fund and \$1,148,403 in the Permanent Improvement Fund.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 8 – TAX ABATEMENTS

Enterprise Zone Program

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in the designated area. An enterprise zone agreement allows for the exemption for a specified number of years (not to exceed 15) of a specified portion 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 five local businesses. The agreements exempt 50% to 75% 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, 2021, the County abated property taxes totaling \$17,050 under this program.

Tax Abatements of Other Governments

For the year ended December 31, 2021, County property tax receipts were reduced by \$3,228 under tax abatement agreements entered into by the Village of Anna, by \$7,384 under agreements entered into by the City of Sidney, by \$8,208 under agreements entered into by the Village of Botkins, by \$79,136 under agreements entered into by the Village of Jackson Center, and by \$592 under an agreement entered into by the Village of Russia, for a total of \$98,548.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2021, the Permanent Improvement Fund had an interfund receivable of \$142,695, nonmajor governmental funds had interfund payables of \$65,000, and the Sewer Enterprise Fund had an interfund payable of \$77,695.

The interfund receivables and payables are the repayment of advances. All of 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, 2021

NOTE 9 - INTERFUND TRANSACTIONS (Continued)

Transfers in and out during the year ended December 31, 2021, were as follows:

| Fund | Transfer In | Transfer Out |
|---------------------------|-------------|--------------|
| Governmental Funds: | | |
| General Fund | \$0 | \$4,309,597 |
| Auto License and Gas Fund | 1,980,221 | 0 |
| Other Governmental Funds | 2,329,376 | 0 |
| Total Governmental Funds | \$4,309,597 | \$4,309,597 |

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 10 - RISK MANAGEMENT

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2021, 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 | \$7,000,000 |
| Public Official Errors and Omissions Liability | 7,000,000 |
| Law Enforcement Liability | 7,000,000 |
| Employee Benefit Liability | 7,000,000 |
| Auto Liability | 7,000,000 |
| Ohio Stop Gap | 7,000,000 |
| Crime | |
| Employee Dishonesty | 500,000 |
| Pool Bond | 1,000,000 |
| Cyber Liability and Privacy | 2,000,000 |
| Excess Healthcare Professional Liability | 3,000,000 |
| Property (replacement value) | 500,000,000 |
| Boiler and Machinery | 100,000,000 |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 10 - RISK MANAGEMENT (Continued)

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

Health Care Benefits

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation and insurance purchasing pool (Note 20). 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 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Asset

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 asset 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/asset 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, 2021

NOTE 11 - 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/asset. Resulting adjustments to the net pension/OPEB liability/asset 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 net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the pension disclosures. See Note 12 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

County employees, other than County BODD licensed teachers, 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - 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 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). 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 on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment 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
For the Year Ended December 31, 2021

NOTE 11 - 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 annuitization of the benefit (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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

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Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

| | State and Local | Law Enforcement |
|--|--------------------|--------------------|
| 2021 Statutory Maximum Contribution Rates | | |
| Employer | 14.0 % | 18.1 % |
| Employee * | 10.0 % | *** |
| 2021 Actual Contribution Rates | | |
| 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.

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

For 2021, the County's contractually required contribution was \$2,929,810.

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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

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. 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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 is deposited into the member's DC account and the remaining 2 percent is applied 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 at age fifty and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2021, the full employer contribution was allocated to pension.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The County's contractually required contribution to STRS was \$133,490 for 2021.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2020, and the net pension liability for STRS was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the respective measurement dates. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS | | |
|--|-------------------------|---------------------|--------------|
| | <u>Traditional Plan</u> | <u>STRS</u> | <u>Total</u> |
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.14504600% | 0.00740304% | |
| Prior Measurement Date | <u>0.14129900%</u> | <u>0.00845108%</u> | |
| Change in Proportionate Share | <u>0.00374700%</u> | <u>-0.00104804%</u> | |
| Proportionate Share of the: | | | |
| Net Pension Liability | \$21,478,412 | \$946,545 | \$22,424,957 |

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent (traditional) |
| COLA or Ad Hoc COLA | |
| Pre 1/7/2013 retirees | 3 percent, simple |
| Post 1/7/2013 retirees | 0.5 percent simple through 2021, then 2.15 percent, simple |
| Investment Rate of Return | 7.20 percent |
| Actuarial Cost Method | Individual Entry Age |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple to .5 percent simple through 2021 then 2.15 percent simple.

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 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 long-term expected 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 25.00 % | 1.32 % |
| Domestic Equities | 21.00 | 5.64 |
| Real Estate | 10.00 | 5.39 |
| Private Equity | 12.00 | 10.42 |
| International Equities | 23.00 | 7.36 |
| Other investments | 9.00 | 4.75 |
| Total | 100.00 % | 5.43 % |

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. 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 contractually required rates, as actuarially determined. 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 for the traditional pension plan, combined plan and member-directed plan 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

| | 1% Decrease (6.20%) | Discount Rate (7.20%) | 1% Increase (8.20%) |
|--|------------------------|--------------------------|------------------------|
| County's proportionate share of the net pension liability | | | |
| OPERS Traditional Plan | \$40,969,693 | \$21,478,412 | \$5,270,972 |

Changes between Measurement Date and Report Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

| | |
|-----------------------------------|---|
| Inflation | 2.50 percent |
| Projected salary increases | 2.50 percent at age 65 to 12.50 percent at age 20 |
| Investment Rate of Return | 7.00 percent, net of investment expenses |
| Discount Rate of Return | 7.00 percent |
| Payroll Increases | 3 percent |
| Cost-of-Living Adjustments (COLA) | 0 percent, effective July 1, 2017 |

Post-retirement mortality rates for healthy retirees 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled 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.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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 are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return*</u> |
|----------------------|--------------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 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 actuarial rate of return, without net value added by management.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$1,772,525 | \$946,545 | \$248,594 |

NOTE 12 - POSTEMPLOYMENT BENEFITS

Net OPEB Asset

See Note 11 for a description of the net OPEB asset.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report referenced below for additional information.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - 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 allowing 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2021 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 2021.

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. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - 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. All benefit recipients 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 year ended December 31, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. For STRS, the net OPEB asset was measured as of June 30, 2021 (the latest date for which information is available), and the total OPEB liability used to calculate the net OPEB asset was determined by an independent actuarial valuation as of that date. The County's proportion of the net OPEB asset 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:

| | <u>OPERS</u> | <u>STRS</u> | |
|---|-------------------|--------------------|---------------|
| Proportion of the Net OPEB Asset: | | | |
| Current Measurement Date | 0.141820% | 0.0074030% | |
| Prior Measurement Date | <u>0.138689%</u> | <u>0.0084511%</u> | |
| Change in Proportionate Share | <u>0.0031310%</u> | <u>-0.0010481%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the Net OPEB Asset | (\$2,525,814) | (\$156,087) | (\$2,681,901) |

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 health care costs 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 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, 2019, rolled forward to the measurement date of December 31, 2020. 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - 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 | 6.00 percent |
| Prior Measurement date | 3.16 percent |
| Investment Rate of Return | 6.00 percent |
| Municipal Bond Rate: | |
| Current measurement date | 2.00 percent |
| Prior Measurement date | 2.75 percent |
| Health Care Cost Trend Rate: | |
| Current measurement date | 8.5 percent, initial 3.50 percent, ultimate in 2035 |
| Prior Measurement date | 10.5 percent, initial 3.50 percent, ultimate in 2030 |
| 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 allocation of investment assets within 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 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. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------------|----------------------|---|
| Fixed Income | 34.00 % | 1.07 % |
| Domestic Equities | 25.00 | 5.64 |
| Real Estate Investment Trust | 7.00 | 6.48 |
| International Equities | 25.00 | 7.36 |
| Other investments | 9.00 | 4.02 |
| Total | 100.00 % | 4.43 % |

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the County's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the County's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net OPEB asset | (\$628,263) | (\$2,525,814) | (\$4,087,252) |

Sensitivity of the County's Proportionate Share of the Net OPEB Liability (Asset) 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset 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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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 2021 is 8.50 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 3.50 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 asset | (\$2,588,215) | (\$2,525,814) | (\$2,457,741) |

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, 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 | 7.00 percent, net of investment expenses, including inflation |
| Payroll Increases | 3 percent |
| Discount Rate of Return | 7.00 percent |
| Health Care Cost Trends | |
| Medical | |
| Pre-Medicare | 5% initial, 4% ultimate |
| Medicare | -16.18 % initial, 4% ultimate |
| Prescription Drug | |
| Pre-Medicare | 6.5% initial, 4% ultimate |
| Medicare | 29.98% initial, 4% 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions used in the June 30, 2021, 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, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part B subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected 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 actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB asset was 7.00 percent as of June 30, 2021. 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

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net OPEB asset | (\$131,713) | (\$156,087) | (\$176,448) |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| County's proportionate share of the net OPEB asset | (\$175,623) | (\$156,087) | (\$131,929) |

NOTE 13 – OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

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

Compensated Absences

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

The County's current leave policy states that all full-time employees working eighty hours in active pay status are entitled to 4.6 hours of sick leave with pay for every full pay period worked. Employees working less 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - LONG-TERM DEBT OBLIGATIONS

Business-Type Activities Debt

Details of the changes in the business-type activities long-term debt for the year ended December 31, 2021 are indicated below:

| | Balance at 12/31/20 | Increases | Decreases | Balance at 12/31/21 | Due Within One Year |
|---|------------------------|------------------|------------------|------------------------|------------------------|
| <u>General Obligation Bonds</u> | | | | | |
| 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% | 3,515,000 | 0 | 250,000 | 3,265,000 | 250,000 |
| Total General Obligation Bonds | <u>12,515,000</u> | <u>0</u> | <u>250,000</u> | <u>12,265,000</u> | <u>250,000</u> |
| <u>Loans from direct borrowings:</u> | | | | | |
| 2005 Ft. Loramie Sewer OWDA Loan - 3.75% | 595,606 | 0 | 90,281 | 505,325 | 46,414 |
| 2006 McCartyville Sewer OWDA Loan – 0.00% | 225,230 | 0 | 32,176 | 193,054 | 16,088 |
| 2009 Millcreek Sewer OWDA Loan – 1.50% | 291,004 | 0 | 12,951 | 278,053 | 6,548 |
| 2010 Millcreek Sewer OPWC Loan – 0.00% | 100,510 | 0 | 2,451 | 98,059 | 4,903 |
| 2011 Kettlersville Sewer USDA Loan – 3.50% | 469,000 | 0 | 9,000 | 460,000 | 9,000 |
| 2014 Arrowhead Hills Sewer OPWC Loan – 0.00% | 53,852 | 0 | 1,171 | 52,681 | 2,342 |
| 2016 BonTon Lift Station OWDA Loan – 0.71% | 149,656 | 0 | 9,167 | 140,489 | 4,608 |
| 2017 Newport Sewer USDA Loan – 2.375% | 492,981 | 0 | 9,262 | 483,719 | 9,469 |
| 2020 Lake Loramie Sewer OWDA Loan – 2.37% | 309,328 | 205,405 | 28,277 | 486,456 | 0 |
| Total Loans from Direct Borrowing | <u>2,687,167</u> | <u>205,405</u> | <u>194,736</u> | <u>2,697,836</u> | <u>99,372</u> |
| Total Enterprise Long-Term Debt | <u>\$15,202,167</u> | <u>\$205,405</u> | <u>\$444,736</u> | <u>\$14,962,836</u> | <u>\$349,372</u> |

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - LONG-TERM DEBT OBLIGATIONS (Continued)

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 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.

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.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - LONG-TERM DEBT OBLIGATIONS (Continued)

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. The 2020 Lake Loramie Sewer OWDA loan is a 5 year, \$565,538 loan. As of December 31, 2021, only \$502,238 of the loan was disbursed. 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 on time. 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, 2021

NOTE 14 - 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, 2021, are an overall debt margin of \$29,966,302 and an unvoted debt margin of \$12,586,521.

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 |
| 2022 | \$0 | \$347,362 | \$250,000 | \$116,275 |
| 2023 | 0 | 347,363 | 260,000 | 110,025 |
| 2024 | 0 | 347,363 | 265,000 | 103,525 |
| 2025 | 0 | 347,363 | 270,000 | 96,900 |
| 2026 | 0 | 347,363 | 280,000 | 88,800 |
| 2027-2031 | 0 | 1,736,813 | 1,580,000 | 266,600 |
| 2032-2036 | 1,750,000 | 1,644,375 | 360,000 | 14,400 |
| 2037-2041 | 2,610,000 | 1,198,288 | 0 | 0 |
| 2042-2046 | 3,195,000 | 608,656 | 0 | 0 |
| 2047-2048 | 1,445,000 | 77,150 | 0 | 0 |
| Total | \$9,000,000 | \$7,002,096 | \$3,265,000 | \$796,525 |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - LONG-TERM DEBT OBLIGATIONS (Continued)

Loans from Direct Borrowing

| Sewer Loans | | | | | | |
|---------------|------------------------|-----------------|-------------------------|------------|----------------------|-----------------|
| Year | Ft. Loramie Sewer OWDA | | McCartyville Sewer OWDA | | Millcreek Sewer OWDA | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$46,414 | \$9,475 | \$16,088 | \$0 | \$6,548 | \$2,085 |
| 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 | 102,819 | 8,959 | 32,176 | 0 | 13,647 | 3,621 |
| 2026 | 106,709 | 5,067 | 32,175 | 0 | 13,852 | 3,416 |
| 2027-2031 | 54,860 | 1,029 | 48,263 | 0 | 72,450 | 13,886 |
| 2032-2036 | 0 | 0 | 0 | 0 | 78,071 | 8,267 |
| 2037-2040 | 0 | 0 | 0 | 0 | 66,796 | 2,274 |
| Totals | \$505,325 | \$53,563 | \$193,054 | \$0 | \$278,053 | \$41,396 |

| Year | Millcreek Sewer OPWC | | Kettlersville Sewer USDA | | Arrowhead Hills OPWC | |
|---------------|----------------------|------------|--------------------------|------------------|----------------------|------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 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 | 4,903 | 0 | 10,000 | 14,580 | 2,341 | 0 |
| 2026 | 4,903 | 0 | 10,000 | 14,243 | 2,341 | 0 |
| 2027-2031 | 24,515 | 0 | 57,000 | 65,779 | 11,705 | 0 |
| 2032-2036 | 24,514 | 0 | 67,000 | 55,783 | 11,707 | 0 |
| 2037-2041 | 24,515 | 0 | 80,000 | 43,404 | 11,710 | 0 |
| 2042-2046 | 0 | 0 | 95,000 | 28,891 | 5,854 | 0 |
| 2047-2051 | 0 | 0 | 113,000 | 11,677 | 0 | 0 |
| Totals | \$98,059 | \$0 | \$460,000 | \$280,021 | \$52,681 | \$0 |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - LONG-TERM DEBT OBLIGATIONS (Continued)

| Year | BonTon OWDA | | Newport USDA | |
|-----------|-------------|----------|--------------|-----------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$4,608 | \$499 | \$9,469 | \$9,627 |
| 2023 | 9,265 | 948 | 9,658 | 9,437 |
| 2024 | 9,331 | 882 | 9,853 | 9,243 |
| 2025 | 9,397 | 816 | 10,050 | 9,046 |
| 2026 | 9,464 | 749 | 10,253 | 8,843 |
| 2027-2031 | 48,338 | 2,727 | 54,441 | 41,039 |
| 2032-2036 | 50,086 | 983 | 60,133 | 35,347 |
| 2037-2041 | 0 | 0 | 66,427 | 29,053 |
| 2042-2046 | 0 | 0 | 73,376 | 22,104 |
| 2047-2051 | 0 | 0 | 81,053 | 14,427 |
| 2052-2056 | 0 | 0 | 89,533 | 5,947 |
| 2057-2061 | 0 | 0 | 9,473 | 75 |
| Totals | \$140,489 | \$7,604 | \$483,719 | \$194,188 |

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 \$10,230,000 outstanding as of December 31, 2021. 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, 2021

NOTE 15 – 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, 2021, were as follows:

| Fund Balance | General | Auto License and Gas | Developmental Disabilities |
|---|--------------------|----------------------------|-------------------------------|
| Non-Spendable | | | |
| Unclaimed Monies | \$107,703 | | |
| Total Non-Spendable | <u>107,703</u> | <u>0</u> | <u>0</u> |
| Restricted for: | | | |
| Roads, Bridges, and Culverts | | 8,094,438 | |
| Ditch Maintenance | | | |
| Public Assistance | | | |
| Developmental Disabilities | | | 17,735,507 |
| 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 | | | |
| CARES Act | | | |
| STAR House Construction | | | |
| Capital Improvements | | | |
| Total Restricted | <u>0</u> | <u>8,094,438</u> | <u>17,735,507</u> |
| Committed to: | | | |
| Animal Shelter Operations | | | |
| Sheriff Commissary | | | |
| Total Committed | <u>0</u> | <u>0</u> | <u>0</u> |
| Assigned for: | | | |
| Subsequent Year Appropriations | 3,887,539 | | |
| Unpaid Obligations | 309,713 | | |
| Recycling Center | 59,928 | | |
| Court Appointed Special Advocates | 118,965 | | |
| Crimestoppers Rewards | 13,910 | | |
| Total Assigned | <u>4,390,055</u> | <u>0</u> | <u>0</u> |
| Unassigned | <u>2,400,628</u> | <u>0</u> | <u>0</u> |
| Total Fund Balance | <u>\$6,898,386</u> | <u>\$8,094,438</u> | <u>\$17,735,507</u> |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 15 – FUND BALANCE (Continued)

| Fund Balance | Permanent Improvement | Other Governmental Funds | Total |
|---|--------------------------|--------------------------------|--------------|
| Non-Spendable | | | |
| Unclaimed Monies | | | \$107,703 |
| Total Non-Spendable | 0 | 0 | 107,703 |
| Restricted for: | | | |
| Roads, Bridges, and Culverts | | 164,228 | 8,258,666 |
| Ditch Maintenance | | 780,748 | 780,748 |
| Public Assistance | | 162,713 | 162,713 |
| Developmental Disabilities | | | 17,735,507 |
| Dog and Kennel | | 41,126 | 41,126 |
| Real Estate Assessment and Collection | | 915,813 | 915,813 |
| Election Security and Accessibility | | 2,743 | 2,743 |
| Judiciary Operations and Special Projects | | 1,523,305 | 1,523,305 |
| Public Safety | | 434,379 | 434,379 |
| Child Support Enforcement | | 224,538 | 224,538 |
| Children’s Services | | 200,698 | 200,698 |
| Domestic Violence | | 4,046 | 4,046 |
| Community Development | | 95,146 | 95,146 |
| Emergency Management | | 284,390 | 284,390 |
| STAR House Operations | | 163,116 | 163,116 |
| American Rescue Plan | | 4,531,947 | 4,531,947 |
| STAR House Construction | | 64,147 | 64,147 |
| Capital Improvements | 6,061,002 | 3,056,754 | 9,117,756 |
| Total Restricted | 6,061,002 | 12,649,837 | 44,540,784 |
| Committed to: | | | |
| Animal Shelter operations | | 12,593 | 12,593 |
| Sheriff Commissary | | 272,619 | 272,619 |
| Total Committed | 0 | 285,212 | 285,212 |
| Assigned for: | | | |
| Subsequent Year Appropriations | | | 3,887,539 |
| Unpaid Obligations | | | 309,713 |
| Recycling Center | | | 59,928 |
| Court Appointed Special Advocates | | | 118,965 |
| Crimestoppers Rewards | | | 13,910 |
| Total Assigned | 0 | 0 | 4,390,055 |
| Unassigned | 0 | 0 | 2,400,628 |
| Total Fund Balance | \$6,061,002 | \$12,935,049 | \$51,724,382 |

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16- SIGNIFICANT CONTRACTUAL COMMITMENTS

As of December 31, 2021, the County had significant contractual purchase commitments as follows:

| Vendor | Project | Contract Amount | Amount Expended | Balance At 12/31/21 |
|------------------------|------------------------------|--------------------|--------------------|---------------------------|
| Brumbaugh Construction | Fairgrounds Stormwater/Sewer | \$511,558 | \$81,521 | \$430,037 |
| LJB, Inc. | Kuther Road Bridge | 76,935 | 26,345 | 50,590 |
| Utility, Inc. | Video Rocket | 281,445 | 112,578 | 168,867 |
| Arcon Builders | Vestibule | 73,670 | 2,000 | 71,670 |

NOTE 17 - 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 2021, the County contributed \$26,625 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 Angela Hamberg, Director, located at the Shelby County Courthouse Annex, 129 East Court Street, Sidney, Ohio 45365.

NOTE 18 - 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: eight members are appointed by the Director of the Ohio Department of Mental Health and 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 2021, a tax levy provided \$572,227 (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, 2021

NOTE 18 - 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 2021, the County made Board allocated payments to WestCON in the amount of \$276,000.

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 2021, 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 19 - 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 2021, 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, 2021

NOTE 20 – 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 21 - 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 agree 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 are 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, 2021, 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, 2021

NOTE 21 - 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, 2021. The note is due December 31, 2023.

NOTE 22 - 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 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the County received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the County. The impact on the County's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Shelby County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 24 – CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the County has implemented GASB Statement No. 83, “Certain Asset Retirement Obligations.” GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the County.

NOTE 25 – ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code (ORC) Section 6111.44 requires the County to submit any changes to their sewerage system to the Ohio EPA for approval, including the retirement or abandonment of certain sewer-related assets. Through this permitting process, the County would be responsible to address any public safety issues associated with retiring or abandoning these sewer-related assets. In accordance with ORC Section 6111.44, and applicable accounting standards, the County believes an asset retirement obligation (ARO) to be present; however, there is significant uncertainty as to what public safety issues would need to be addressed. Based on this uncertainty, the ARO amount is not reasonably estimable at this time.

NOTE 26 – SUBSEQUENT EVENTS

On March 29, 2022, the County Commissioners awarded a bid for the Lake Loramie wastewater treatment plant improvements project in the amount of approximately \$11.76 million. On April 26, 2022, the County Commissioners approved to enter into a loan agreement with the United States Department of Agriculture in an amount not to exceed \$6,131,000 for this project. The project will also be financed by the County and other sources, including proceeds of a grant in the amount of \$5.2 million.

In addition, on May 17, 2022, the County Commissioners approved to enter into a contract for a total amount of approximately \$15.05 million for the public safety radio system project. The cost includes the system cost of \$7.8 million with the balance covering the maintenance and lifecycle management services for a period of 19 years after the expiration of the one-year warranty period.

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**SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal AL Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Expenditures |
|--|----------------------------------|--|--|--------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Job and Family Services</i> | | | | |
| SNAP Cluster | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | G-2021-11-5992/G-2223-11-6990 | | 197,944 |
| COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | G-2021-11-5992 | | 21,311 |
| Total U.S. Department of Agriculture | | | | <u>219,255</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| <i>Passed Through Ohio Department of Development</i> | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | B-F-20-1CR-1 | | 57,900 |
| Total U.S. Department of Housing and Urban Development | | | | <u>57,900</u> |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| <i>Passed Through Ohio Department of Public Safety</i> | | | | |
| COVID-19 Coronavirus Emergency Supplemental Funding Program | 16.034 | 2020-CE-LEF-2077 2020-CE-LEF-2222 2020-CE-CTF-2118 | | 47,950 8,690 1,199 |
| Total COVID-19 Coronavirus Emergency Supplemental Funding Program | | | | <u>57,839</u> |
| Residential Substance Abuse Treatment for State Prisoners | 16.593 | 2019-RS-SAT-124 | | 91,821 |
| <i>Passed Through Ohio Department of Public Safety</i> | | | | |
| Crime Victim Assistance | 16.575 | 2021-VOCA-133994615 2021-VOCA-133873860 2022-VOCA-134719086 2022-VOCA-134719271 | | 96,103 63,222 21,072 14,425 |
| Total Crime Victim Assistance | | | | <u>194,822</u> |
| Total U.S. Department of Justice | | | | <u>344,482</u> |
| U.S. DEPARTMENT OF LABOR | | | | |
| <i>Passed Through Ohio Department of Job and Family Services (Passed Through Area 7 Workforce Development Board)</i> | | | | |
| Employment Service Cluster | | | | |
| Employment Service/Wagner-Peyser Funded Activities | 17.207 | 2021-7375-1 / 2223-7375-1 | | 38,904 |
| Unemployment Insurance | 17.225 | 2021-7375-1 | | 46,083 |
| Trade Adjustment Assistance | 17.245 | 2021-7375-1 / 2223-7375-1 | | 6,603 |
| Workforce Innovation and Opportunity Act (WIOA) Cluster | | | | |
| WIOA Adult Program | 17.258 | 2021-7375-1 / 2223-7375-1 | | 110,078 |
| WIOA Youth Activities | 17.259 | 1819-7375-1 / 2021-7375-1 | 29,698 | 29,698 |
| WIOA Dislocated Worker Formula Grants | 17.278 | 2021-7375-1 / 2223-7375-1 | | 104,474 |
| Total Workforce Innovation and Opportunity Act (WIOA) Cluster | | | <u>29,698</u> | <u>244,250</u> |
| Total U.S. Department of Labor | | | <u>29,698</u> | <u>335,840</u> |
| U.S. DEPARTMENT OF THE TREASURY | | | | |
| <i>Direct Payment</i> | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | | | 188,190 |
| Total U.S. Department of the Treasury | | | | <u>188,190</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | |
| Special Education Cluster (IDEA) | | | | |
| Special Education Grants to States | 84.027 | N/A | | 146,347 |
| Special Education Preschool Grants | 84.173 | N/A | | 90,893 |
| Total Special Education Cluster (IDEA) | | | | <u>237,240</u> |
| <i>Passed Through Ohio Department of Developmental Disabilities</i> | | | | |
| Special Education-Grants for Infants and Families | 84.181 | H181A190024 H181A200024 | | 32,736 25,813 |
| Total Special Education-Grants for Infants and Families | | | | <u>58,549</u> |
| Total U.S. Department of Education | | | | <u>295,789</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| <i>Direct Payment</i> | | | | |
| COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | | | 872,433 |

SHELBY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal AL Number | Pass Through Entity Identifying Number | Passed Through to Subrecipients | Expenditures |
|--|--|---|--|------------------------------------|
| Passed Through Ohio Department of Mental Health and Addiction Services | | | | |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | 5AU-21-C0075 5AU-22-C0075 | | 3,973 1,939 <u>5,912</u> |
| Passed Through Ohio Department of Job and Family Services | | | | |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | G-2021-11-5992 / G-2223-11-6990 | | <u>53,555</u> |
| Total MaryLee Allen Promoting Safe and Stable Families Program | | | | <u>59,467</u> |
| Temporary Assistance for Needy Families | 93.558 | G-2021-11-5992 / G-2223-11-6990 | 52,745 | 671,757 |
| COVID-19 Temporary Assistance for Needy Families | 93.558 | G-2021-11-5992 / G-2223-11-6990 | | <u>72,205</u> |
| Total Temporary Assistance for Needy Families | | | <u>52,745</u> | <u>743,962</u> |
| Child Support Enforcement | 93.563 | G-2021-11-5992 / G-2223-11-6990 | | 431,731 |
| CCDF Cluster | | | | |
| Child Care and Development Block Grant | 93.575 | G-2021-11-5992 / G-2223-11-6990 | | 31,839 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-2021-11-5992 / G-2223-11-6990 | | 36,949 |
| Passed Through Ohio Department of Mental Health and Addiction Services | | | | |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 5AU-21-C0075 5AU-22-C0075 | | 491 240 <u>731</u> |
| Total Stephanie Tubbs Jones Child Welfare Services Program | | | | <u>37,680</u> |
| Passed Through Ohio Department of Job and Family Services | | | | |
| Foster Care Title IV-E | 93.658 | G-2021-11-5992 / G-2223-11-6990 | | 352,386 |
| Adoption Assistance | 93.659 | G2021-11-5992 / G-2223-11-6990 | | 300,953 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | G-2021-11-5992 / G-2223-11-6990 | | 85 |
| COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | G-2021-11-5992 | | <u>9,396</u> |
| Total John H. Chafee Foster Care Program for Successful Transition to Adulthood | | | | 9,481 |
| COVID-19 Elder Abuse Prevention Interventions Program | 93.747 | G-2021-11-5992 | | 1,031 |
| Children's Health Insurance Program | 93.767 | G-2021-11-5992 / G-2223-11-6990 | | 41,880 |
| COVID-19 Children's Health Insurance Program | 93.767 | G-2021-11-5992 / G-2223-11-6990 | | <u>2,435</u> |
| Total Children's Health Insurance Program | | | | <u>44,315</u> |
| Social Services Block Grant | 93.667 | G-2021-11-5992 / G-2223-11-6990 | | 433,911 |
| Passed Through Ohio Department of Developmental Disabilities | | | | |
| Social Services Block Grant | 93.667 | 2101OHSOSR | | <u>38,299</u> |
| Total Social Services Block Grant | | | | <u>472,210</u> |
| Medicaid Cluster | | | | |
| Medical Assistance Program | 93.778 | 2105OH5ADM 2205OH5ADM | | 92,283 38,234 <u>130,517</u> |
| Passed Through Ohio Department of Job and Family Services | | | | |
| Medical Assistance Program | 93.778 | G-2021-11-5992 / G-2223-11-6990 | 19,512 | 410,865 |
| Total Medicaid Cluster | | | <u>19,512</u> | <u>541,382</u> |
| Passed Through Ohio Department of Aging (Passed Through Area Agency on Aging) | | | | |
| Aging Cluster | | | | |
| COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | N/A | | 3,633 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | N/A | | 115,841 |
| COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | N/A | | 41,017 |
| Nutrition Services Incentive Program | 93.053 | N/A | | <u>13,404</u> |
| Total Aging Cluster | | | | <u>173,895</u> |
| Total U.S. Department of Health and Human Services | | | <u>72,257</u> | <u>4,072,765</u> |
| U.S. Department of Homeland Security | | | | |
| Passed Through Ohio Department of Public Safety | | | | |
| Emergency Management Performance Grants | 97.042 | EMC-2019-EP-00005 EMC-2020-EP-00004 | | 4,398 48,620 |
| COVID-19 Emergency Management Performance Grants | 97.042 | EMC-2020-EP-00014 | | <u>2,498</u> |
| Total U.S. Department of Homeland Security | | | | <u>55,516</u> |
| Total Expenditures of Federal Awards | | | <u>\$101,955</u> | <u>\$5,569,737</u> |

The accompanying notes are an integral part of this schedule.

SHELBY COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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 CASH BALANCE

The current cash balance on the County's local program income account as of December 31, 2021 is \$95,146.

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, 2021
(Continued)**

NOTE G – COST REPORT SETTLEMENT

During the calendar year, the Shelby County Board of Developmental Disabilities received a settlement payment for the 2017 and 2018 Cost Reports from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA # 93.778) in the amount of \$1,064 and \$3,690, respectively. The Cost Report Settlement payment was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Expenditures of Federal Awards since the underlying expenses occurred in prior reporting periods.



**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 of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, 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, 2021, 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 8, 2022, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent period of the County.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-001.

County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and/or corrective action plan. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 8, 2022

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Opinion on Each Major Federal Program

We have audited Shelby County's (the County) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Shelby County's major federal programs for the year ended December 31, 2021. Shelby County's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The County's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 8, 2022

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SHELBY COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – AL #93.498 Child Support Enforcement – AL #93.563 Temporary Assistance for Needy Families – AL #93.558 Special Education Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | No |

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

FINDING NUMBER 2021-001

Noncompliance

Ohio Rev. Code § 117.38 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.

FINDING NUMBER 2021-001
(Continued)

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).

The County prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the modified cash basis of accounting, 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.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

Shelby County Auditor



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

129 East Court Street
Sidney, OH 45365-3095
Telephone: 937-498-7202
Fax: 937-498-2255
Email: aberning@shelbycountyauditors.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2021

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|---------------|--|
| 2020-001 | 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 basis rather than GAAP basis. | Not Corrected | We will continue with the 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. |

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Shelby County Auditor



Amy L. Berning, Auditor

Debra A. Francis, Chief Deputy

129 East Court Street

Sidney, OH 45365-3095

Telephone: 937-498-7202

Fax: 937-498-2255

Email: aberning@shelbycountyauditors.com

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2021

Finding Number:

2021-001

Planned Corrective Action:

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.

Anticipated Completion Date:

N/A

Responsible Contact Person:

Amy Berning, County Auditor

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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 9/29/2022

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