

**Town of Shelby, New York**  
**Financial Statements**  
**As of December 31, 2020**  
**Together With**  
**Independent Auditor's Report**

**TOWN OF SHELBY, NEW YORK**

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**TOWN OF SHELBY, NEW YORK**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Town Board  
Town of Shelby  
Medina, New York

### Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Shelby, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Qualified Opinion on Governmental Activities

Management has not adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require that the Town adopt all relevant GASB statements, which would increase liabilities, deferred outflows, and deferred inflows and decrease net position on the Statement of Net Position. In addition, an appropriate expense was not recorded in the Statement of Activities to reflect the current period change of the liability. The amount by which this departure would affect the deferred outflows, deferred inflows, liabilities, net position, and the expenses of the governmental activities has not been determined.

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### **Qualified Opinion on Governmental Activities**

In our opinion, except for the effects, if any, of the matter described in the “Basis for Qualified Opinion on the Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Town’s Governmental Activities as of December 31, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion on Major Funds and Aggregate Remaining Fund Information**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Shelby, New York, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and schedule of proportionate share of the net pension liability and contributions – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shelby’s basic financial statements. The combining and individual special revenue fund financial statements is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual special revenue fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual special revenue fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the Town of Shelby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Town of Shelby's internal control over financial reporting and compliance.

*Allied CPAs, P.C.*

Tonawanda, New York  
March 25, 2022

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

This section of the Town of Shelby's (the "Town") annual financial report presents a discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the Town's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded liabilities at the close of the 2020 fiscal year by \$9,949,206 (net position). Of this amount, \$153,468 is restricted for specific purpose (restricted net position) \$1,646,666 is unrestricted and \$8,149,072 is invested in capital assets, net of related debt.
- The government's total net position increased by \$68,081.
- As of December 31, 2020, the Town's governmental funds reported combined fund balances of \$2,594,704. An increase of \$143,587 in comparison with the prior year. Of the combined fund balances, \$1,121,510 is available to meet the Town's current and future needs (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$1,120,752 or 89.57% of total general fund balance.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

**Basic Financial Statements**

*Government-Wide Financial Statements* are two statements designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all Town assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The Town does not have any functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.



**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Fund Financial Statements**

These funds are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds**

These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as, balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General-Townwide Fund, the Special Revenue Funds, and the Capital Projects Fund. The Town adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue fund to demonstrate compliance with this budget.

**Fiduciary Fund**

These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The Town has one fiduciary fund, the Expendable Trust Fund, which is used to account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$9,949,206 at the close of the most recent fiscal year.

**Summary of Town of Shelby's Net Position**

		<b>Governmental Activities</b>	
		<b><u>December 31, 2020</u></b>	<b><u>December 31, 2019</u></b>
<b><u>ASSETS AND DEFERRED OUTFLOWS</u></b>			
<b><u>ASSETS</u></b>			
Current and other assets	\$	2,809,013	\$ 2,545,067
Capital assets		11,701,972	11,860,311
<b>TOTAL ASSETS</b>		<b>14,510,985</b>	<b>14,405,378</b>
Deferred outflows of resources		352,123	115,332
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>352,123</b>	<b>115,332</b>
<b><u>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</u></b>			
<b><u>LIABILITIES</u></b>			
Long-term liabilities		4,659,870	4,294,790
Other liabilities		117,745	259,244
<b>TOTAL LIABILITIES</b>		<b>4,777,615</b>	<b>4,554,034</b>
Deferred inflows of resources		136,287	82,551
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>136,287</b>	<b>82,551</b>
<b><u>NET POSITION</u></b>			
Investment in capital assets, net of related debt		8,149,072	8,136,611
Restricted		153,468	153,468
Unrestricted		1,646,666	1,594,046
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>9,949,206</u></b>	<b>\$ <u>9,884,125</u></b>

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the Town's net position of \$8,149,072 (81.9%) reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the Town's net position represents restricted net position of \$153,468 (1.5%) which is reserved for insurance, certain encumbrances, workers' compensation, and debt.

The remaining balance of the Town's net position represents unrestricted net position of \$1,646,666 (16.6%), which may be used to meet the Town's ongoing obligations to citizens and creditors.

**Governmental Activities**

Governmental activities increased the Town's net position by \$65,081. The following table indicates the changes in net position for governmental activities:

**Summary of Town of Shelby's Changes in Net Position**

	<b><u>Governmental</u></b> <b><u>Activities</u></b> <b><u>December 31, 2020</u></b>	<b><u>Governmental</u></b> <b><u>Activities</u></b> <b><u>December 31, 2019</u></b>
<b><u>REVENUES:</u></b>		
<b><u>PROGRAM REVENUES:</u></b>		
Charges for services	\$ 676,647	\$ 705,423
Operating grants and contributions	267,870	357,938
<b><u>GENERAL REVENUES:</u></b>		
Property taxes	1,354,715	1,324,366
Real property tax items	164,744	165,089
Non-property tax items	105,811	106,507
Use of money and property	50,670	34,990
Licenses and permits	4,777	6,671
Fines and forfeitures	15,605	12,749
Sale of property and compensation for loss	20,232	7,321
Miscellaneous	4,322	1,060
Transfers	123,143	-
<b>TOTAL REVENUES</b>	<b>\$ 2,788,536</b>	<b>\$ 2,722,114</b>

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**Summary of Town of Shelby's Changes in Net Postion**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b><u>December 31, 2020</u></b>	<b><u>December 31, 2019</u></b>
<b><u>EXPENSES:</u></b>		
General government support	\$ 825,331	\$ 630,627
Public safety	278,564	266,930
Health	11,984	27,425
Transportation	1,054,231	1,076,215
Economic assistance and opportunity	4,500	4,500
Cultural and recreation	4,782	8,193
Home and community services	450,639	486,807
Interest and fiscal charges	93,424	96,722
<b>TOTAL EXPENSES</b>	<b><u>2,723,455</u></b>	<b><u>2,597,419</u></b>
Change in net position	65,081	124,695
NET POSITION - BEGINNING	<u>9,884,125</u>	<u>9,759,430</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ 9,949,206</u></b>	<b><u>\$ 9,884,125</u></b>

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses *fund accounting* to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The general governmental functions are contained in the General, Special Revenue, and Capital Projects Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2020, the Town's governmental funds reported combined fund balances of \$2,594,704, an increase of \$143,585 in comparison with the prior year. Of the combined fund balances, \$1,121,510 constitutes *unassigned fund balance*, which is available to meet the Town's current and future operational and capital needs. The remainder of fund balance is *non-spendable, restricted, committed or assigned* to indicate that it is *not* available for new spending because it has already been committed: There is no current amount for non-spendable, \$153,468 is restricted, and \$1,319,726 is assigned.

The General Fund is the chief operating fund of the Town. At December 31, 2020, unassigned fund balance of the General Fund was \$1,120,752 and total fund balance of the General Fund was \$1,251,254. As a measure of General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 42.37% of total fund expenditures, while total fund balance also represents 47.30% of that same amount.

Revenues for governmental functions totaled \$2,665,393 for the fiscal year ended December 31, 2020, which represents a decrease of 2.09% from the fiscal year ended December 31, 2019.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

The following table presents the amount of revenues from various sources, as well as, increases or decreases from the prior year:

**Revenues Classified by Source - Governmental Funds**

	<b><u>2020</u></b> <b><u>Amount</u></b>	<b><u>Percent of</u></b> <b><u>Total</u></b>	<b><u>2019</u></b> <b><u>Amount</u></b>	<b><u>Amount of</u></b> <b><u>Increase</u></b> <b><u>(Decrease)</u></b>	<b><u>Percent of</u></b> <b><u>Increase</u></b> <b><u>(Decrease)</u></b>
<b><u>REVENUES:</u></b>					
Real property taxes and tax items	\$ 1,519,459	57.01%	\$ 1,489,455	\$ 30,004	2.01%
Non-property tax items	105,811	3.97%	106,507	(696)	-0.65%
Departmental income	540,633	20.28%	471,028	69,605	14.78%
Intergovernmental charges	136,014	5.10%	234,395	(98,381)	-41.97%
Use of money and property	50,670	1.90%	34,990	15,680	44.81%
Licenses and permits	4,777	0.18%	6,671	(1,894)	-28.39%
Fines and forfeitures	15,605	0.59%	12,749	2,856	22.40%
Sale of property and compensation for loss	20,232	0.76%	7,321	12,911	176.36%
Miscellaneous	4,322	0.16%	1,060	3,262	307.74%
State aid	267,870	10.05%	239,086	28,784	12.04%
Federal aid	-	0.00%	118,852	(118,852)	-100.00%
<b>TOTAL REVENUES</b>	<b><u>\$ 2,665,393</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 2,722,114</u></b>	<b><u>\$ (56,721)</u></b>	

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Department Income increased due to the town metered and unmetered water sales increasing.
- Intergovernmental charges decreased due to a smaller snow removal contract.
- Use of money and property increased due to interest and rental of real property increasing.
- Sale of property increased due to the sale of scrap and excess materials and equipment in the Part-Town Highway and Water Districts Funds.
- State aid increased due to an increase in mortgage tax revenue.
- Federal aid decrease because the Town received funding for improvements in the prior year.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

The following table presents expenditures, by function, compared to prior year amounts:

**Expenditures by Function - Governmental Funds**

	<b><u>2020</u></b> <b><u>Amount</u></b>	<b><u>Percent of</u></b> <b><u>Total</u></b>	<b><u>2019</u></b> <b><u>Amount</u></b>	<b><u>Amount of</u></b> <b><u>Increase</u></b> <b><u>(Decrease)</u></b>	<b><u>Percent of</u></b> <b><u>Increase</u></b> <b><u>(Decrease)</u></b>
<b><u>EXPENDITURES:</u></b>					
General government support	\$ 645,710	24.41%	\$ 515,142	\$ 130,568	25.35%
Public safety	276,843	10.47%	282,951	(6,108)	-2.16%
Health	11,358	0.43%	27,183	(15,825)	-58.22%
Transportation	768,593	29.06%	887,267	(118,674)	-13.38%
Economic assistance and opportunity	4,500	0.17%	4,500	-	0.00%
Culture and recreation	3,947	0.15%	7,797	(3,850)	-49.38%
Home and community services	353,325	13.36%	310,670	42,655	13.73%
Employee benefits	313,348	11.85%	224,653	88,695	39.48%
Debt service - principal	170,800	6.46%	222,500	(51,700)	-23.24%
Debt service - interest	96,527	3.65%	96,722	(195)	-0.20%
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 2,644,951</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 2,579,385</u></b>	<b><u>\$ 65,566</u></b>	

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- General government support increased due to the expenses in assessor, engineer, and building contractual increasing dramatically.
- Health decreased due to the ambulance fees decreasing this year.
- Transportation decreased due to machinery and snow removal within the Highway Fund and repairs in the Part-Town Highway Fund.
- Home and community services increased due to expenditures with the Water Funds decreasing.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

The current year excess of revenues over expenditures is presented below:

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**

	<b>Major Funds</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>FUND BALANCE AT DECEMBER 31, 2018</b>	\$ 996,700	\$ 1,310,932	\$ (307,242)	\$ 2,000,390
Revenues	929,114	1,793,000	-	2,722,114
Expenditures	(716,068)	(1,863,317)	-	(2,579,385)
Excess (deficiency) of revenues over expenditures	213,046	(70,317)	-	142,729
Other financing sources, net	-	-	308,000	308,000
<b>FUND BALANCE AT DECEMBER 31, 2019</b>	1,209,746	1,240,615	758	2,451,119
Revenues	825,312	1,840,081	-	2,665,393
Expenditures	(906,947)	(1,738,004)	-	(2,644,951)
Excess (deficiency) of revenues over expenditures	(81,635)	102,077	-	20,442
Other financing sources, net	123,143	-	-	123,143
<b>FUND BALANCE AT DECEMBER 31, 2020</b>	<b>\$ 1,251,254</b>	<b>\$ 1,342,692</b>	<b>\$ 758</b>	<b>\$ 2,594,704</b>



**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of December 31, 2020, amounted to \$11,701,972 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, equipment and vehicles.

All depreciable capital assets were depreciated under the straight-line method using the full-year convention. Capital assets net of depreciation are presented below:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Land	\$ 260,100	\$ 260,100
Infrastructure	10,896,107	10,944,671
Buildings and Improvements	276,337	322,391
Machinery and Equipment	269,428	333,149
<b>TOTAL CAPITAL ASSETS</b>	<b><u>\$ 11,701,972</u></b>	<b><u>\$ 11,860,311</u></b>

**Long-Term Debt**

At December 31, 2020, the Town's long-term debt was composed of the following items:

Serial bonds	\$ 3,552,900
Compensated absences	121,539
Accrued post-employment benefit obligation	518,925
Net pension liability	466,506
<b>TOTAL LONG-TERM DEBT</b>	<b><u>\$ 4,659,870</u></b>

At December 31, 2020, The Town had total serial bonds outstanding of \$3,552,900 as compared to \$3,723,700 in the prior year. During the year retirement of debt amounted to \$170,800. New York State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year valuation. The current debt-limitation for the Town is \$13,502,207, of which 4.36% is exhausted.

**Request for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Town of Shelby, Attn: Supervisor's Office, 4062 Salt Works Road, PO Box 348, Medina, New York 14103-0348.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**ASSETS AND DEFERRED OUTFLOWS**

**ASSETS**

Cash and cash equivalents	\$ 2,770,995
Account receivables	200
Water rent receivables	37,818
Capital assets:	
Land	260,100
Other capital assets, net of depreciation	11,441,872
<b>TOTAL ASSETS</b>	<b>14,510,985</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	352,123
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>352,123</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 14,863,108</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**LIABILITIES**

Accounts payable	\$ 94,090
Accrued interest on bonds payable	23,547
Due to fiduciary fund	108
Long-term liabilities:	
Due within one year	
Bonds payable - short term portion	178,400
Due in more than one year:	
Bonds payable - long term portion	3,374,500
Compensated absences	121,539
Accrued post-employment benefit obligation	518,925
Net pension liability- proportionate share	466,506
<b>TOTAL LIABILITIES</b>	<b>4,777,615</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenue	120,111
Deferred inflows of resources	16,176
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>136,287</b>

**NET POSITION**

Invested in capital assets, net of related debt	8,149,072
Restricted	153,468
Unrestricted	1,646,666
<b>TOTAL NET POSITION</b>	<b>9,949,206</b>

**TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION \$ 14,863,108**

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

		<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
<b><u>FUNCTIONS / PROGRAM</u></b>		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
<b>Governmental Activities:</b>				
General government	\$ (825,331)	\$ 530	\$ 148,933	\$ (675,868)
Public safety	(278,564)	-	-	(278,564)
Health	(11,984)	670	-	(11,314)
Transportation	(1,054,231)	136,014	-	(918,217)
Economic assistance and opportunity	(4,500)	-	-	(4,500)
Culture and recreation	(4,782)	-	474	(4,308)
Home and community services	(450,639)	539,433	118,463	207,257
Interest and fiscal charges	(93,424)	-	-	(93,424)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (2,723,455)</b>	<b>\$ 676,647</b>	<b>\$ 267,870</b>	<b>(1,778,938)</b>
<b>General Revenues:</b>				
Property taxes levied for general purposes				1,354,715
Real property tax items				164,744
Non-property tax items				105,811
Use of money and property				50,670
Licenses and permits				4,777
Fines and forfeitures				15,605
Sale of property				20,232
Miscellaneous				4,322
Transfers				123,143
<b>TOTAL GENERAL REVENUES</b>				<b>1,844,019</b>
Change in net position				65,081
Total net position at beginning of year				9,884,125
<b>Total net position at end of year</b>				<b>\$ 9,949,206</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**

**ASSETS**

	<b><u>General - Townwide</u></b>	<b><u>Special Revenue</u></b>	<b><u>Capital Projects</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 991,845	\$ 1,778,392	\$ 758	\$ 2,770,995
Account receivables	200	-	-	200
Water rents receivable	-	37,818	-	37,818
Due from other funds	399,970	70,097	-	470,067
<b>TOTAL ASSETS</b>	<b><u>\$ 1,392,015</u></b>	<b><u>\$ 1,886,307</u></b>	<b><u>\$ 758</u></b>	<b><u>\$ 3,279,080</u></b>

**LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$ 20,650	\$ 73,440	\$ -	\$ 94,090
Due to other funds	-	470,175	-	470,175
<b>TOTAL LIABILITIES</b>	<b><u>20,650</u></b>	<b><u>543,615</u></b>	<b><u>-</u></b>	<b><u>564,265</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenues	<u>120,111</u>	<u>-</u>	<u>-</u>	<u>120,111</u>
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**FUND BALANCE**

Restricted	130,502	22,966	-	153,468
Assigned	-	1,319,726	-	1,319,726
Unassigned	1,120,752	-	758	1,121,510
<b>TOTAL FUND BALANCES</b>	<b><u>1,251,254</u></b>	<b><u>1,342,692</u></b>	<b><u>758</u></b>	<b><u>2,594,704</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,392,015</u></b>	<b><u>\$ 1,886,307</u></b>	<b><u>\$ 758</u></b>	<b><u>\$ 3,279,080</u></b>
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The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**Amounts Reported for Governmental Activities in the  
Statement of Net Position are Different Because:**

Total governmental fund balances	\$ 2,594,704
Capital assets are not financial resources and are not reported in the funds	
Capital assets	18,780,966
Accumulated depreciation	(7,078,994)
Certain liabilities are not financial uses or are not due or payable in the current period and are not reported in the funds:	
Bonds payable	(3,552,900)
Compensated absences	(121,539)
Other postemployment benefits	(518,925)
Proportionate share of employees retirement system liability	(466,506)
Accrued interest on obligations	(23,547)
Deferred outflows related to employee retirement systems liability	352,123
Deferred inflows related to employee retirement systems liability	<u>(16,176)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 9,949,206</u></b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>General - Townwide</u></b>	<b><u>Special Revenue</u></b>	<b><u>Capital Projects</u></b>	<b><u>Total Governmental Funds</u></b>
<b><u>REVENUES:</u></b>				
Real property taxes	\$ 555,782	\$ 798,933	\$ -	\$ 1,354,715
Real property tax items	102,095	62,649	-	164,744
Non-property tax items	-	105,811	-	105,811
Departmental income	13,675	526,958	-	540,633
Intergovernmental charges	-	136,014	-	136,014
Use of money and property	45,444	5,226	-	50,670
Licenses and permits	4,777	-	-	4,777
Fines and forfeitures	15,605	-	-	15,605
Sale of property and compensation for loss	24	20,208	-	20,232
Miscellaneous	1,772	2,550	-	4,322
State aid	86,138	181,732	-	267,870
<b>TOTAL REVENUES</b>	<b><u>\$ 825,312</u></b>	<b><u>\$ 1,840,081</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,665,393</u></b>

The accompanying notes are an integral part of the basic financial statements.



**TOWN OF SHELBY, NEW YORK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General - Townwide	Special Revenue	Capital Projects	Total Governmental Funds
<b><u>EXPENDITURES:</u></b>				
General government support	\$ 645,710	\$ -	\$ -	\$ 645,710
Public safety	356	276,487	-	276,843
Health	-	11,358	-	11,358
Transportation	81,833	686,760	-	768,593
Economic opportunity and development	4,500	-	-	4,500
Culture and recreation	1,447	2,500	-	3,947
Home and community services	11,245	342,080	-	353,325
Employee benefits	161,856	151,492	-	313,348
Debt service - principal	-	170,800	-	170,800
Debt service - interest	-	96,527	-	96,527
<b>TOTAL EXPENDITURES</b>	<u>906,947</u>	<u>1,738,004</u>	<u>-</u>	<u>2,644,951</u>
Excess (deficiency) of revenues over expenditures	<u>(81,635)</u>	<u>102,077</u>	<u>-</u>	<u>20,442</u>
<b><u>OTHER SOURCES AND (USES):</u></b>				
Transfers in	<u>123,143</u>	<u>-</u>	<u>-</u>	<u>123,143</u>
<b>TOTAL OTHER SOURCES AND (USES)</b>	<u>123,143</u>	<u>-</u>	<u>-</u>	<u>123,143</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	41,508	102,077	-	143,585
Fund Balance at beginning of year	<u>1,209,746</u>	<u>1,240,615</u>	<u>758</u>	<u>2,451,119</u>
<b>Fund Balance at end of year</b>	<b><u>\$ 1,251,254</u></b>	<b><u>\$ 1,342,692</u></b>	<b><u>\$ 758</u></b>	<b><u>\$ 2,594,704</u></b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Amounts Reported for Governmental Activities in the Statement of Activities are  
Different Because:**

Net change in fund balances total governmental funds.	\$ 143,585
Governmental funds report all capital outlays as expenditures, However In the statement of activities, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets increased in the current year.	106,027
Depreciation recorded on the statement of activities but not in statement for governmental funds.	(264,364)
Accrued interest is reported on the statement of activities but not in the governmental funds: This is the net change in accrued interest	3,103
The Payment of bond principal consumes the current financial resources of governmental funds: Payment of bond principal	170,800
The net change in compensated absences are recorded in the statement of activities but not in the statement of governmental funds	(13,277)
Retirement benefits change deferred outflows, liabilities, and deferred inflows in the statement of activities, but not the governmental funds:	
Change in deferred outflows - employee retirement system	236,791
Change in proportionate share of employee retirement liability	(351,803)
Change in deferred inflows - employee retirement system	34,219
	<hr/>
<b>CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 65,081</b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**FIDUCIARY FUND**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

	<b>Expendable Trust</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 28,344
Due from other funds	<u>108</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 28,452</u></b>

**LIABILITIES AND NET POSITION**

<b><u>NET POSITION</u></b>	
Net position	<b><u>\$ 28,452</u></b>

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF SHELBY, NEW YORK**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>Expendable Trust</u></b>
<b>Additions</b>	\$ <u>-</u>
<b>Deductions</b>	<u>123,143</u>
Change in net position	(123,143)
Net Position at beginning of year	<u>151,595</u>
<b>Net Position at end of year</b>	<b><u><u>\$ 28,452</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Town of Shelby, New York (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The more significant of the Town's accounting policies are described below.

**Financial Reporting Entity**

The Town of Shelby, which was established in 1818, is located within the County of Orleans, New York. The Town is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief fiscal officer.

The following basic services are provided: police, highway, sanitation, recreation, sewer service, drainage, street lighting, water service, fire protection through contracts with local volunteer companies and general administration.

Independently elected officials of the Town consist of the following:

Supervisor	Town Clerk
Councilmen (4)	Superintendent of Highways
Town Justice	

All governmental activities and functions performed for the Town of Shelby are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effects of interfund activity within governmental has been eliminated from these statements. However, balances due and resource flows between governmental activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions or programs. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements and donations are recognized as revenues as soon as all eligibility requirements have been met.

**Modified Accrual Basis**

All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities for the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except that:

- a) Expenditures for prepaid expenses and inventory-type items are recognized at the time of the purchase.
- b) Principal and interest on long-term debt is not recognized as an expenditure until due.
- c) Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Accrual Basis**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

**Fund Categories**

**Governmental Funds**

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement of focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

General Fund - Townwide - the principal operating fund and includes all operations not required to be recorded in other funds.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

General Fund - Town Outside Village - Used only by towns which contain a village to record transactions which are required by statute to be charged to the area of the town outside the village.

Highway Fund - Townwide - This fund is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.

Highway Fund - Town Outside Village - Used only by towns which contain a village to record transactions related to road maintenance and construction which are required by statute to be charged to an area of the town outside the village.

Special District Funds - This fund records all financial activity of special districts within the Town. A special district represents a limited geographic area within a Town in New York State. It is a separate accounting entity created by statute for specific services such as lighting, water and fire protection.



**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Fund Accounting (Cont.)**

**Capital Projects Fund**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Fiduciary Funds**

The fiduciary fund is used to account for assets held by the local government in a trustee or custodial capacity:

*Expendable Trust Fund* - used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Government-wide financial statements apply all applicable Governmental Accounting Standards Board ("GASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict subsequent GASB pronouncements, Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Property Taxes Revenue Recognition**

The Orleans County Legislature prepares the levy in late December of each year and jointly bills the Town levy with New York State and Orleans County real property taxes. On January 1 of each year, property taxes become a lien on the property. Tax payments are due January 1st to January 31st without penalty; February 1st to 28th a 1% penalty; March 1st to 31st a 2% penalty; and April 1st to 30th a 3% penalty. Taxes are then returned to the County and assessed penalty.

Taxes for County purposes are levied together with taxes for Town and special district purposes as a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bill. The County assumes enforcement responsibility for all taxes levied in the Town. The tax roll is returned to the Orleans County Commissioner of Finance after June 1 at which time all unpaid taxes and penalties are payable to that office. Any such taxes remaining unpaid at year-end are re-levied as county taxes in the subsequent year. The County enforces all liens.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Budget and Budgetary Data**

*Budget Policies* - The budget policies are as follows:

- a. No later than October 5<sup>th</sup>, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund.
- b. After public hearings are conducted to obtain taxpayer comments, no later than the Thursday following the general election, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board.

Budgetary controls are established for the Capital Projects Fund through Town Board resolutions authorizing individual projects which remain in effect for the life of the projects.

**Budget Basis of Accounting**

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all Town funds. Outstanding encumbrances at year end, exclusive of grant-related commitments, are presented for GAAP reporting purposes as reservations of fund balances, and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The Town had no encumbrances outstanding at December 31, 2020.

**Compensated Absences**

Most Town employees are granted vacation and sick leave and earn compensatory absences in varying amounts. Vacations and compensatory absences not taken may be carried over at the end of the fiscal year in which they are earned. Employees may accumulate sick leave, but they are not entitled to receive payment for unused sick leave in the event of termination or upon retirement.

Vacations and compensatory absences carried over at the end of the fiscal year and estimated sick leave accumulated by governmental fund type employees is recorded as long-term liability in the government-wide financial statements because expendable available financial resources will not be used to liquidate these amounts. Instead, such amounts will be paid from subsequent years appropriations for personal services.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets and water lines), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	75 years
Infrastructure	100 years
Machinery and Equipment	10 years
Office Furniture	10 years
Vehicles	5 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

**Insurance**

The Town purchases insurance covering liability for most risks including, but not limited to, general liability, vehicle liability, workers' compensation and excess liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

**Federal Grants**

Federal grants in the Capital Projects Fund are recorded as grants receivable and deferred revenue when the entitlement period occurs. Revenues are recognized as the Town incurs expenditures and meets the performance requirements of the grants.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Compensated Absences**

Most Town employees are granted vacation, sick days and personal days, and earn compensatory absences in varying amounts. Employees are entitled to receive payment for unused sick leave upon retirement.

Compensated absences for governmental fund type employees are reported as a fund liability and expenditure in the government-wide financial statements.

The compensated absences liability for the Town at December 31, 2020 totaled \$121,539 and is reported in the government-wide financial statements.

Payment of compensated absences recorded in the government-wide financial statements is dependent on many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

**Pensions**

Nearly all Town employees are members of the New York State Employees' Retirement System. The Town is invoiced annually by the systems for its share of the cost.

**Equity Classifications:**

**Government-Wide Financial Statements**

The government-wide financial statements display net position in three classes:

*Net Invested in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

*Restricted Net Position* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* - This category represents net position of the Town not restricted for any project or other purpose.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Equity Classifications (Cont.)**

**Funds Financial Statements**

The fund balance financial statements have five classifications of fund balance:

*Non-spendable* - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable fund balance includes prepaid expenditures.

*Restricted* - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors contributors or laws or regulations of other governments; or imposed by law through constitutional provisions on enabling legislation. The Town has established the following restricted fund balances:

*Capital Reserve Fund* - Representing resources that have been restricted for capital payments that will be made in future periods.

*Reserve for Debt Service* – Representing resources that have been restricted for principal payments that will be made in future period in Water Fund.

*Committed* - Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authorities. The Town had no committed fund balance as of December 31, 2020.

*Assigned* - Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes amounts designated for subsequent years' expenditures.

*Unassigned* - Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

**Order of Use of Fund Balance**

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balance. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies (Cont.)**

**Adoption of New Accounting Pronouncements**

The Town adopted the following accounting pronouncements during the year:

- GASB Statement No. 84, *Fiduciary Activities*

GASB Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 31, 2019, enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities.

**Note 2 - Stewardship, Compliance and Accountability**

**Overdrawn Appropriations**

- Expenditures for the year ended December 31, 2020 exceeded appropriations in the General Fund for Transportation by \$9,241.
- Expenditures for the year ended December 31, 2020 exceeded appropriations in the General Fund for Home and Community Services by \$1,245.
- Expenditures for the year ended December 31, 2020 exceeded appropriations in the General Fund for Employee Benefits by \$4,356.
- Expenditures for the year ended December 31, 2020 exceeded appropriations in the Special Revenue Fund for Principal Payment by \$200.

**Note 3 - Cash and Cash Equivalents**

The Town investment policies are governed by state statutes. In addition, the Town also has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

Cash and cash equivalents at December 31, 2020 amounted to \$2,799,339.

**Deposits** – The carrying amount of deposits at December 31, 2020 is \$2,909,853. Related bank balance amounts classified by credit risk category are as follows:

<b>Credit Risk Category</b>	<b>Bank Balance</b>
Insured (FDIC)	\$ 500,000
<b>Collateralized:</b>	
Collateral held by bank in Town's name	2,409,853
<b>TOTAL DEPOSITS</b>	<b>\$ 2,909,853</b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 4 - Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance at January 1, 2020	Increase	Decrease	Balance at December 31, 2020
<b><u>CAPITAL ASSETS NOT BEING DEPRECIATED:</u></b>				
Land	\$ 260,100	\$ -	\$ -	\$ 260,100
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 260,100</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 260,100</b>
<b><u>CAPITAL ASSETS BEING DEPRECIATED:</u></b>				
Buildings and Improvements	\$ 1,151,356	\$ -	\$ -	\$ 1,151,356
Machinery and Equipment	1,910,373	-	-	1,910,373
Infrastructure	15,353,110	106,027	-	15,459,137
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>18,414,839</b>	<b>106,027</b>	<b>-</b>	<b>18,520,866</b>
<b><u>LESS: ACCUMULATED DEPRECIATION FOR:</u></b>				
Buildings and Improvements	828,965	46,054	-	875,019
Machinery and Equipment	1,577,224	63,721	-	1,640,945
Infrastructure	4,408,439	154,591	-	4,563,030
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>6,814,628</b>	<b>264,366</b>	<b>-</b>	<b>7,078,994</b>
Total capital assets being depreciated, net	11,600,211	(158,339)	-	11,441,872
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 11,860,311</b>	<b>\$ (158,339)</b>	<b>\$ -</b>	<b>\$ 11,701,972</b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 5 - Short-Term Debt**

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made on an annual basis.

The Town had no outstanding bond anticipation notes at December 31, 2020.

**Note 6 - Long-Term Debt**

**Serial Bonds**

The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-Current Government Liabilities. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

**Summary of Long-Term Debt**

The following is a summary of changes in the general long-term debt for the year ended December 31, 2020:

	<b><u>Balance</u></b> <b><u>January 1,</u></b> <b><u>2020</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Net</u></b> <b><u>Increase</u></b> <b><u>(Decrease)</u></b>	<b><u>Balance</u></b> <b><u>December 31,</u></b> <b><u>2020</u></b>
Serial Bonds	\$ 3,723,700	\$ -	\$ 170,800	\$ (170,800)	\$ 3,552,900
Compensated Absences	108,262	13,277	-	13,277	121,539
<b>Totals</b>	<b><u>\$ 3,831,962</u></b>	<b><u>\$ 13,277</u></b>	<b><u>\$ 170,800</u></b>	<b><u>\$ (157,523)</u></b>	<b><u>\$ 3,674,439</u></b>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately.



**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 6 – Long –Term Debt (Cont.)**

**Summary of Long-Term Debt (Cont.)**

The following is a summary of general obligation bond transactions for the year ended December 31, 2020:

<b>Description</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance January 1, 2020</b>	<b>Issued</b>	<b>Payments</b>	<b>Balance December 31, 2020</b>
<b>General Fund:</b>							
Bates Road	2017	2027	2.13%	\$ 495,000	\$ -	\$ 55,000	\$ 440,000
Various Equipment	2019	-	-	215,000	-	40,000	175,000
<b>Special Revenue Fund:</b>							
<b>Water Districts:</b>							
Water District # 2	1991	2029	6.75%	34,000	-	3,400	30,600
Water District # 3	1996	2033	4.50%	113,100	-	6,000	107,100
Water District # 4A	1998	2036	4.50%	125,300	-	5,000	120,300
Water District # 4B	2000	2038	4.50%	163,300	-	5,600	157,700
Water District # 6	2002	2040	4.50%	76,900	-	2,200	74,700
Water District # 7	2004	2042	4.50%	249,100	-	6,400	242,700
Water District # 8	2009	2046	4.38%	261,000	-	5,200	255,800
Water District # 9	2010	2048	2.25%	371,000	-	9,000	362,000
Water District # 10	2016	2054	1.38%	287,000	-	6,000	281,000
Water District # 11	2016	2054	1.88%	392,000	-	8,000	384,000
Water District # 12	2017	2055	1.75%	941,000	-	19,000	922,000
<b>Grand Total</b>				<b>\$ 3,723,700</b>	<b>\$ -</b>	<b>\$ 170,800</b>	<b>\$ 3,552,900</b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 6 – Long-Term Debt (Cont.)**

**Long-Term Debt Maturity Schedule**

The following schedule sets forth the remaining annual maturities of and annual interest payments on serial bonds at December 31, 2020:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 178,400	\$ 90,709	\$ 269,109
2022	186,700	85,962	272,662
2023	188,300	82,131	270,431
2024	190,800	78,117	268,917
2025	153,500	74,012	227,512
2026-2030	612,300	307,275	919,575
2031-2035	519,000	222,988	741,988
2036-2040	492,400	144,594	636,994
2041-2045	428,500	82,659	511,159
2046-2050	335,000	38,546	373,546
2051-2055	268,000	12,298	280,298
	<u><b>\$ 3,552,900</b></u>	<u><b>\$ 1,219,291</b></u>	<u><b>\$ 4,772,191</b></u>

***Constitutional Debt Limit-*** At December 31, 2020 the total outstanding indebtedness of the Town of Shelby aggregated \$3,552,900. Of this amount, \$615,000 was subject to the constitutional debt limit and represented approximately 4.36% of its debt limit.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 7 - Pension Plans**

**Plan Description**

The Town participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

**Funding Policy**

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Effective October 1, 2000, the 3% contribution is waived for employees who have achieved ten years of service credit. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Town is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<b><u>ERS</u></b>
2020	\$ 77,235
2019	\$ 69,677
2018	\$ 69,090

The Town's contributions made to the Retirement System were equal to 100% of the contributions required for each year.

Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 7 - Pension Plans (Cont.)**

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

At December 31, 2020, the Town of Shelby reported a liability of \$466,506 for its proportionate share of the pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Shelby's proportion of the net pension liability was based on a projection of the Town of Shelby's long-term share of contributions to the pension plan relative to the projected contribution of all the participating members, actuarially determined.

At December 31, 2020, the Town of Shelby's proportion was .0017617%. For the year ended December 31, 2020, the Town of Shelby recognized pension expense of \$158,139. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following resources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 27,456	\$ -
Changes of assumptions	9,393	8,111
Net difference between projected and actual earnings on pension plan investments	239,154	-
Changes in proportion and differences between Town and contributions and proportionate share of contributions	18,083	8,065
Town contributions subsequent to the measurement date	58,037	-
<b>TOTAL</b>	<b><u>\$ 352,123</u></b>	<b><u>\$ 16,176</u></b>

An amount of \$352,123 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 7 - Pension Plans (Cont.)**

Other amounts reported as deferred outflows of resources as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,		
2020	\$	45,388
2021		69,452
2022		90,111
2023		72,960
Thereafter		-

**Actuarial Assumptions**

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with updated procedures used to roll forward the total pension liability at March 31, 2020. The actuarial valuation used the following actuarial assumptions:

Interest rate	6.80%
Inflation	2.50%
Salary	4.20%
Investment rate of return	6.80%
Costs of living adjustments	1.30%
Decrement Tables	April 1, 2010 - March 31, 2015 system's experience

Annuitant mortality rates are based on April 1, 2010- March 31, 2015 System's experience with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 7 - Pension Plans (Cont.)**

The long term expected rate of return on pension plan investments was determined using a building block method which is best estimates ranges of best estimate future real rates of return (expected returns nets of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

<b><u>Asset Type</u></b>	<b><u>Long Term Expected Real Rate</u></b>
Domestic Equity	4.05%
International Equity	6.30%
Private Equity	6.75%
Real Estate	4.95%
Opportunistic / ARS Portfolio	4.50%
Credit	3.63%
Real Assets	5.95%
Fixed Income	0.00%
Cash	0.50%

The real rate of return is net of the long-term inflation assumption of Percent

**Discount Rate**

The discount used to calculate the total pension liability was 6.8%. The project of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 7 - Pension Plans (Cont.)**

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following represents the Town of Shelby's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what the Town of Shelby's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.8%) or 1% point higher (7.8%) than the current rate:

	1% Decrease 5.8%	Current Assumption 6.8%	1% Increase 7.8%
Town's proportionate share of the net pension liability (asset)	<u>\$ 856,170</u>	<u>\$ 466,506</u>	<u>\$ 107,624</u>

**Pension Plan Fiduciary Net Position**

The components of the current-year net position liability of the employees as of March 31, 2020, were as follows:

	(Dollars in Thousands) Employees' Retirement System
Employers' total pension liability	\$ 194,596,261
Fiduciary net position	<u>168,115,682</u>
Employers' net position liability	<u>\$ 26,480,579</u>
Ratio of fiduciary net position to the employer's total pension liability	86.39%

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 8 - Other Postemployment Benefits - GASB Statement 45**

In addition to providing pension benefits, the Town also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the Town's employees may become eligible for those benefits if they reach normal retirement age while working for the Town. Prior to 2009, the Town recognized the cost of providing postemployment health insurance benefits by expensing those costs when paid.

**Plan Description**

The Town administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the Town, and their spouses and can be amended by action of the Town. The Plan does not carry issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**Funding Policy**

The obligations of the Plan members, employers and other entities are established by employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, the retiree's hiring date and number of years of service to the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

**Actuarial Accrued Liability (AAL)**

Actuarial accrued liability	\$ 345,579
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 345,579</u>
Funded ratio	<u>0.00%</u>
Annual covered payroll	<u>\$ -</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>0.00%</u>
2018 normal cost	<u>\$ 1,986</u>

**Funded Status and Funding Progress**

The schedule of funding progress presents multiyear (when available) trend information that is useful in determining whether the actuary's value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of June 16, 2015 the latest valuation date.



**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 8 - Other Postemployment Benefits - GASB Statement 45 (Cont.)**

The following table summarizes the amortization calculation of the UAAL as of the latest valuation date:

UAAL	\$ 345,579
Amortization period (years)	30
Amortization discount rate	3.00%
Present value factor	20.1885
2018 UAAL amortization amount	<u>\$ 106,680</u>

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for 2020:

Normal cost	\$ 1,986
Amortization of UAAL	106,680
Interest	<u>-</u>
ARC	108,666
Interest on OPEB obligation	-
Adjustment to ARC	<u>\$ -</u>
OPEB expense	<u>\$ 108,666</u>

***Funded Status and Funding Progress, (cont.)*** - The following table reconciles the Town's OPEB obligation at December 31, 2020:

Net OPEB obligation at beginning of year	\$ 475,588
2017 OPEB expense	108,666
2017 OPEB contributions	<u>(65,329)</u>
Net OPEB obligation at end of year	518,925
Less: estimated current portion of OPEB obligation	<u>-</u>
Estimated long-term portion of OPEB obligation	<u>\$ 518,925</u>
Percentage of expense contributed	<u>60.12%</u>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 8- Other Postemployment Benefits - GASB Statement 45, (Cont.)**

**Actuarial Methods and Assumptions**

Actuarial valuation of an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested, and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, that AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

**Note 9 – Interfund Transactions**

Individual fund operating transfer and interfund receivables and payables for the year ended December 31, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Due From</u>	<u>Due To</u>
<b>Governmental Fund Types:</b>				
General Fund	\$ 123,143	\$ -	\$ 399,970	\$ -
General Fund - TOV	-	-	-	36,712
Highway Fund - Townwide	-	-	36,712	388,348
Highway - TOV	-	-	17,811	45,007
Water Fund	-	-	15,574	-
Cemetery Fund	-	123,143	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>\$ 123,143</u></b>	<b><u>\$ 123,143</u></b>	<b><u>\$ 470,067</u></b>	<b><u>\$ 470,067</u></b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 10 – Fund Balance**

Restricted fund balance, which have external constraints, are as follows:

General Fund - Townwide	\$	130,502
Special Revenue - Highway Fund - Townwide		22,966
<b>TOTAL RESTRICTED FUNDS</b>	<b>\$</b>	<b>153,468</b>

Assigned fund balance, which are constrained by the Town's intent to be used for specific purposes, are as follows:

General Fund - Town Outside Village	\$	456,446
Special Revenue - Highway Fund - Townwide		2,393
Special Revenue - Highway Fund - Outside		87,521
Special Revenue - Water Districts		699,084
Special Revenue - Fire Protection Districts		65,842
Special Revenue - Lighting Districts		8,440
<b>TOTAL ASSIGNED FUNDS</b>	<b>\$</b>	<b>1,319,726</b>

**Note 11 - Contingencies**

The Town receives financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Town expects such amounts to be immaterial to the Town's financial statements.

**Note 12 – Subsequent Events**

Management has evaluated subsequent events through March 25, 2022 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

Subsequent to December 31, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. In addition, global markets have seen significant declines. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Town, there is a reasonable possibility that the impact on the Town's financial position and the results of future operations could be material.

**REQUIRED SUPPLEMENTARY INFORMATION  
AND SUPPLEMENTARY INFORMATION**

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>General - Townwide</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b><u>REVENUES:</u></b>				
Real property taxes	\$ 521,000	\$ 555,782	\$ 555,782	\$ -
Real property tax items	100,000	100,000	102,095	2,095
Departmental income	12,100	12,100	13,675	1,575
Intergovernmental charges	24,000	24,000	-	(24,000)
Use of money and property	30,100	30,100	45,444	15,344
Licenses and permits	3,375	3,375	4,777	1,402
Fines and forfeitures	45,800	45,800	15,605	(30,195)
Sale of property and compensation for loss	50	50	24	(26)
Miscellaneous	50	50	1,772	1,722
State aid	85,000	85,000	86,138	1,138
<b>TOTAL REVENUES</b>	<u>821,475</u>	<u>856,257</u>	<u>825,312</u>	<u>(30,945)</u>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General - Townwide			
	Original Budget	Final Budget	Actual	Variance
<b><u>EXPENDITURES:</u></b>				
General government support	\$ 895,515	\$ 895,515	\$ 645,710	\$ 249,805
Public safety	17,200	17,200	356	16,844
Transportation	72,592	72,592	81,833	(9,241)
Economic opportunity and development	37,000	37,000	4,500	32,500
Culture and recreation	2,450	2,450	1,447	1,003
Home and community services	10,000	10,000	11,245	(1,245)
Employee benefits	157,500	157,500	161,856	(4,356)
<b>TOTAL EXPENDITURES</b>	<u>1,192,257</u>	<u>1,192,257</u>	<u>906,947</u>	<u>285,310</u>
Excess of revenues over expenditures	<u>(370,782)</u>	<u>(336,000)</u>	<u>(81,635)</u>	<u>(316,255)</u>
<b><u>OTHER SOURCES AND (USES):</u></b>				
Transfers from other funds	-	-	123,143	123,143
Transfers to other funds	-	-	-	-
<b>TOTAL OTHER SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>123,143</u>	<u>123,143</u>
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	<u>(370,782)</u>	<u>(336,000)</u>	<u>41,508</u>	<u>(193,112)</u>
Fund balance at December 31, 2019	<u>1,209,746</u>	<u>1,209,746</u>	<u>1,209,746</u>	
<b>Fund balance at December 31, 2020</b>	<u><b>\$ 838,964</b></u>	<u><b>\$ 873,746</b></u>	<u><b>\$ 1,251,254</b></u>	

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUND – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Special Revenue Fund Types				
	Original Budget	Final Budget	Actual	Variance
<b><u>REVENUES:</u></b>				
Real property taxes	\$ 725,432	\$ 834,933	\$ 798,933	\$ (36,000)
Real property tax items	64,877	64,877	62,649	(2,228)
Non-property tax items	94,890	94,890	105,811	10,921
Departmental income	651,102	651,102	526,958	(124,144)
Intergovernmental charges	155,000	155,000	136,014	(18,986)
Use of money and property	5,468	5,468	5,226	(242)
Sale of property and compensation for loss	4,200	4,200	20,208	16,008
Miscellaneous	-	-	2,550	2,550
State aid	-	158,152	181,732	23,580
<b>TOTAL REVENUES</b>	<u>1,700,969</u>	<u>1,968,622</u>	<u>1,840,081</u>	<u>(128,541)</u>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUND – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Fund Types			
	Original Budget	Final Budget	Actual	Variance
<b><u>EXPENDITURES:</u></b>				
General government support	\$ 87,262	\$ 87,262	\$ -	\$ 87,262
Public safety	309,998	309,998	276,487	33,511
Health	15,900	15,900	11,358	4,542
Transportation	778,226	778,226	686,760	91,466
Culture and recreation	11,500	11,500	2,500	9,000
Home and community services	542,990	542,990	342,080	200,910
Employee benefits	194,826	194,826	151,492	43,334
Principal	170,600	170,600	170,800	(200)
Interest	98,098	98,098	96,527	1,571
<b>TOTAL EXPENDITURES</b>	<u>2,209,400</u>	<u>2,209,400</u>	<u>1,738,004</u>	<u>471,396</u>
Excess of revenues over expenditures	<u>(508,431)</u>	<u>(240,778)</u>	102,077	<u>(599,937)</u>
Fund balance at December 31, 2019			<u>1,240,615</u>	
<b>Fund balance at December 31, 2020</b>			<b><u>\$ 1,342,692</u></b>	

See independent auditor's report.



**TOWN OF SHELBY, NEW YORK**  
**SCHEDULE OF TOWN'S PROPORTIONATE SHARE**  
**OF NET PENSION LIABILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town's proportion share of the net pension liability (asset)	0.001762%	0.001619%	0.001703%	0.0020047%
Town's proportionate share of the net pension liability (asset)	\$ 466,506	\$ 114,703	\$ 54,965	\$ 54,965
Town's covered-employee payroll	\$ 585,354	\$ 554,328	\$ 440,411	\$ 421,543
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.70%	20.69%	12.48%	13.04%

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SCHEDULE OF THE TOWN'S CONTRIBUTION**  
**NYSLRS PENSION PLAN**  
**DECEMBER 31, 2020**

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Contractually required contribution	\$ 77,235	\$	69,677	\$	69,090	\$	68,315
Contributions in relation to the contractually required contribution	\$ 77,235	\$	69,677	\$	69,090	\$	68,315
Contribution deficiency (excess)	\$ -	\$	-	\$	-	\$	-
Town's covered-employee payroll	\$ 585,354	\$	554,328	\$	440,411	\$	421,543
Contributions as a percentage of covered-employee payroll	13.19%		12.57%		15.69%		16.21%

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2020**

**ASSETS**

	General Fund- Town Outside Village	Highway Fund - Townwide	Highway Fund - Town Outside Village	Water Districts	Fire Protection Districts	Lighting Districts	Total
<b><u>ASSETS</u></b>							
Cash and cash equivalents	\$ 493,158	\$ 383,807	\$ 124,903	\$ 702,242	\$ 65,842	\$ 8,440	\$ 1,778,392
Water rents receivable	-	-	-	37,818	-	-	37,818
Due from other funds	-	36,712	17,811	15,574	-	-	70,097
<b>TOTAL ASSETS</b>	<b>\$ 493,158</b>	<b>\$ 420,519</b>	<b>\$ 142,714</b>	<b>\$ 755,634</b>	<b>\$ 65,842</b>	<b>\$ 8,440</b>	<b>\$ 1,886,307</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ -	\$ 6,812	\$ 10,186	\$ 56,442	\$ -	\$ -	\$ 73,440
Due to other funds	36,712	388,348	45,007	108	-	-	470,175
<b>TOTAL LIABILITIES</b>	<b>36,712</b>	<b>395,160</b>	<b>55,193</b>	<b>56,550</b>	<b>-</b>	<b>-</b>	<b>543,615</b>

**FUND BALANCE**

Restricted	-	22,966	-	-	-	-	22,966
Assigned	456,446	2,393	87,521	699,084	65,842	8,440	1,319,726
<b>TOTAL FUND BALANCE</b>	<b>456,446</b>	<b>25,359</b>	<b>87,521</b>	<b>699,084</b>	<b>65,842</b>	<b>8,440</b>	<b>1,342,692</b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 493,158</b>	<b>\$ 420,519</b>	<b>\$ 142,714</b>	<b>\$ 755,634</b>	<b>\$ 65,842</b>	<b>\$ 8,440</b>	<b>\$ 1,886,307</b>
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See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund- Town Outside Village	Highway Fund - Townwide	Highway Fund - Town Outside Village	Water Districts	Fire Protection Districts	Lighting Districts	Total
<b><u>REVENUES:</u></b>							
Real property taxes	\$ 45,417	\$ 180,845	\$ 303,873	\$ -	\$ 263,798	\$ 5,000	\$ 798,933
Real property tax items	62,649	-	-	-	-	-	62,649
Non-property tax items	4,094	-	101,717	-	-	-	105,811
Departmental income	8,083	-	-	518,875	-	-	526,958
Intergovernmental charges	-	136,014	-	-	-	-	136,014
Use of money and property	-	-	-	5,226	-	-	5,226
Sale of property and comp. for loss	-	1,463	7,455	11,290	-	-	20,208
Miscellaneous	-	-	-	2,550	-	-	2,550
State aid	474	62,795	118,463	-	-	-	181,732
<b>TOTAL REVENUES</b>	<b>\$ 120,717</b>	<b>\$ 381,117</b>	<b>\$ 531,508</b>	<b>\$ 537,941</b>	<b>\$ 263,798</b>	<b>\$ 5,000</b>	<b>\$ 1,840,081</b>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund- Town Outside Village	Highway Fund - Townwide	Highway Fund - Town Outside Village	Water Districts	Fire Protection Districts	Lighting Districts	Total
<b><u>EXPENDITURES:</u></b>							
Public safety	\$ 2,472	\$ -	\$ -	\$ -	\$ 274,015	\$ -	\$ 276,487
Health	11,358	-	-	-	-	-	11,358
Transportation	-	329,131	357,629	-	-	-	686,760
Culture and recreation	2,500	-	-	-	-	-	2,500
Home and community services	42,246	-	-	299,834	-	-	342,080
Employee benefits	7,547	48,171	90,769	5,005	-	-	151,492
Debt service - principal	-	40,000	55,000	75,800	-	-	170,800
Debt service - interest	-	3,288	11,278	81,961	-	-	96,527
<b>TOTAL EXPENDITURES</b>	<u>66,123</u>	<u>420,590</u>	<u>514,676</u>	<u>462,600</u>	<u>274,015</u>	<u>-</u>	<u>1,738,004</u>
Excess (deficiency) of revenues over expenditures	54,594	(39,473)	16,832	75,341	(10,217)	5,000	102,077
Fund balances - beginning of year	<u>401,852</u>	<u>64,832</u>	<u>70,689</u>	<u>623,743</u>	<u>76,059</u>	<u>3,440</u>	<u>1,240,615</u>
<b>Fund balances - end of year</b>	<b><u>\$ 456,446</u></b>	<b><u>\$ 25,359</u></b>	<b><u>\$ 87,521</u></b>	<b><u>\$ 699,084</u></b>	<b><u>\$ 65,842</u></b>	<b><u>\$ 8,440</u></b>	<b><u>\$ 1,342,692</u></b>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**BALANCE SHEET BY DISTRICT**  
**DECEMBER 31, 2020**

**ASSETS**

	<b><u>Water District #1</u></b>	<b><u>Water District #2</u></b>	<b><u>Water District #3</u></b>	<b><u>Water District #4A</u></b>	<b><u>Water District #4B</u></b>	<b><u>Water District #5</u></b>
<b><u>ASSETS</u></b>						
Cash	\$ 115,388	\$ 95,862	\$ 61,996	\$ 44,483	\$ 52,625	\$ 50,141
Water rents receivable	7,424	1,557	2,348	3,068	2,988	1,473
Due from other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u><u>\$ 122,812</u></u></b>	<b><u><u>\$ 97,419</u></u></b>	<b><u><u>\$ 64,344</u></u></b>	<b><u><u>\$ 47,551</u></u></b>	<b><u><u>\$ 55,613</u></u></b>	<b><u><u>\$ 51,614</u></u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 9,880	\$ 1,569	\$ 7,551	\$ 6,999	\$ 5,763	\$ -
Due to other funds	108	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u><u>9,988</u></u></b>	<b><u><u>1,569</u></u></b>	<b><u><u>7,551</u></u></b>	<b><u><u>6,999</u></u></b>	<b><u><u>5,763</u></u></b>	<b><u><u>-</u></u></b>

**FUND BALANCE**

Assigned	112,824	95,850	56,793	40,552	49,850	51,614
<b>TOTAL FUND BALANCE</b>	<b><u><u>112,824</u></u></b>	<b><u><u>95,850</u></u></b>	<b><u><u>56,793</u></u></b>	<b><u><u>40,552</u></u></b>	<b><u><u>49,850</u></u></b>	<b><u><u>51,614</u></u></b>

**TOTAL LIABILITIES AND**

<b>FUND BALANCE</b>	<b><u><u>\$ 122,812</u></u></b>	<b><u><u>\$ 97,419</u></u></b>	<b><u><u>\$ 64,344</u></u></b>	<b><u><u>\$ 47,551</u></u></b>	<b><u><u>\$ 55,613</u></u></b>	<b><u><u>\$ 51,614</u></u></b>
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See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**BALANCE SHEET BY DISTRICT**  
**DECEMBER 31, 2020**

**ASSETS**

	<b><u>Water District #6</u></b>	<b><u>Water District #7</u></b>	<b><u>Water District #8</u></b>	<b><u>Water District #9</u></b>	<b><u>Water District #10</u></b>	<b><u>Water District #11</u></b>	<b><u>Water District #12</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>								
Cash	\$ 135,363	\$ 15,885	\$ 19,086	\$ 41,687	\$ 21,659	\$ 35,537	\$ 12,530	\$ 702,242
Water rents receivable	2,494	2,621	2,875	2,201	2,463	2,371	3,935	37,818
Due from other funds	-	-	-	-	-	-	15,574	15,574
<b>TOTAL ASSETS</b>	<b><u>\$ 137,857</u></b>	<b><u>\$ 18,506</u></b>	<b><u>\$ 21,961</u></b>	<b><u>\$ 43,888</u></b>	<b><u>\$ 24,122</u></b>	<b><u>\$ 37,908</u></b>	<b><u>\$ 32,039</u></b>	<b><u>\$ 755,634</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 9,469	\$ 6,155	\$ 3,705	\$ 3,293	\$ -	\$ 2,058	\$ -	\$ 56,442
Due to other funds	-	-	-	-	-	-	-	108
<b>TOTAL LIABILITIES</b>	<b><u>9,469</u></b>	<b><u>6,155</u></b>	<b><u>3,705</u></b>	<b><u>3,293</u></b>	<b><u>-</u></b>	<b><u>2,058</u></b>	<b><u>-</u></b>	<b><u>56,550</u></b>

**FUND BALANCE**

Assigned	128,388	12,351	18,256	40,595	24,122	35,850	32,039	699,084
<b>TOTAL FUND BALANCE</b>	<b><u>128,388</u></b>	<b><u>12,351</u></b>	<b><u>18,256</u></b>	<b><u>40,595</u></b>	<b><u>24,122</u></b>	<b><u>35,850</u></b>	<b><u>32,039</u></b>	<b><u>699,084</u></b>

**TOTAL LIABILITIES AND**

<b>FUND BALANCE</b>	<b><u>\$ 137,857</u></b>	<b><u>\$ 18,506</u></b>	<b><u>\$ 21,961</u></b>	<b><u>\$ 43,888</u></b>	<b><u>\$ 24,122</u></b>	<b><u>\$ 37,908</u></b>	<b><u>\$ 32,039</u></b>	<b><u>\$ 755,634</u></b>
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See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>Water District #1</u></b>	<b><u>Water District #2</u></b>	<b><u>Water District #3</u></b>	<b><u>Water District #4A</u></b>	<b><u>Water District #4B</u></b>	<b><u>Water District #5</u></b>
<b><u>REVENUES:</u></b>						
Departmental income	\$ 58,778	\$ 21,013	\$ 56,039	\$ 46,747	\$ 45,861	\$ 6,272
Sale of property and comp. for loss	235	-	235	-	-	-
Use of money and property	966	108	409	675	303	77
Miscellaneous	783	-	67	-	-	-
<b>TOTAL REVENUES</b>	<b><u>60,762</u></b>	<b><u>21,121</u></b>	<b><u>56,750</u></b>	<b><u>47,422</u></b>	<b><u>46,164</u></b>	<b><u>6,349</u></b>
<b><u>EXPENDITURES:</u></b>						
Home & community services	57,531	9,406	35,580	39,762	29,738	4,684
Employee benefits	1,164	137	722	620	444	52
Debt service - principal	-	3,400	6,000	5,000	5,600	-
Debt service - interest	-	2,180	5,090	5,638	7,223	-
<b>TOTAL EXPENDITURES</b>	<b><u>58,695</u></b>	<b><u>15,123</u></b>	<b><u>47,392</u></b>	<b><u>51,020</u></b>	<b><u>43,005</u></b>	<b><u>4,736</u></b>
Excess (deficiency) of revenues over expenditures	2,067	5,998	9,358	(3,598)	3,159	1,613
Fund Balances - beginning of year	<u>110,757</u>	<u>89,852</u>	<u>47,435</u>	<u>44,150</u>	<u>46,691</u>	<u>50,001</u>
<b>Fund Balance - end of year</b>	<b><u>\$ 112,824</u></b>	<b><u>\$ 95,850</u></b>	<b><u>\$ 56,793</u></b>	<b><u>\$ 40,552</u></b>	<b><u>\$ 49,850</u></b>	<b><u>\$ 51,614</u></b>

See independent auditor's report.



**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b><u>Water District #6</u></b>	<b><u>Water District #7</u></b>	<b><u>Water District #8</u></b>	<b><u>Water District #9</u></b>	<b><u>Water District #10</u></b>	<b><u>Water District #11</u></b>	<b><u>Water District #12</u></b>	<b><u>Total</u></b>
<b><u>REVENUES:</u></b>								
Departmental income	\$ 63,489	\$ 54,274	\$ 37,740	\$ 34,757	21,138	\$ 29,030	\$ 43,737	\$ 518,875
Sale of property and comp. for loss	650	-	650	325	560	650	7,985	11,290
Use of money and property	1,780	277	153	45	136	126	171	5,226
Miscellaneous	33	134	33	-	-	-	1,500	2,550
<b>TOTAL REVENUES</b>	<b>65,952</b>	<b>54,685</b>	<b>38,576</b>	<b>35,127</b>	<b>21,834</b>	<b>29,806</b>	<b>53,393</b>	<b>537,941</b>
<b><u>EXPENDITURES:</u></b>								
Home & community services	38,040	29,771	15,306	13,205	6,075	8,658	12,078	299,834
Employee benefits	535	288	237	251	141	174	240	5,005
Debt service - principal	2,200	6,400	5,200	9,000	6,000	8,000	19,000	75,800
Debt service - interest	3,411	11,066	11,418	8,246	3,946	7,275	16,468	81,961
<b>TOTAL EXPENDITURES</b>	<b>44,186</b>	<b>47,525</b>	<b>32,161</b>	<b>30,702</b>	<b>16,162</b>	<b>24,107</b>	<b>47,786</b>	<b>462,600</b>
Excess (deficiency) of revenues over expenditures	21,766	7,160	6,415	4,425	5,672	5,699	5,607	75,341
Fund Balances - beginning of year	106,622	5,191	11,841	36,170	18,450	30,151	26,432	623,743
<b>Fund Balance - end of year</b>	<b>\$ 128,388</b>	<b>\$ 12,351</b>	<b>\$ 18,256</b>	<b>\$ 40,595</b>	<b>\$ 24,122</b>	<b>\$ 35,850</b>	<b>\$ 32,039</b>	<b>\$ 699,084</b>

See independent auditor's report.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Town Board  
Town of Shelby  
Shelby, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Shelby, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Shelby, New York's basic financial statements, and have issued our report thereon dated March 25, 2022.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Shelby, New York's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shelby, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shelby, New York'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 entity'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 may exist that have not been identified. We did identify a certain deficiency in internal control, as described on the Schedule of Findings and Responses that we consider to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Shelby, New York'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 determination of financial statement amounts. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are further described in the Schedule of Findings and Response.

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### **Town's Response to Findings**

The Town of Shelby's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town of Shelby's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. The information and use of management of the Town of Shelby, New York and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.

*Allied CPAs, P.C.*

Tonawanda, New York  
March 25, 2022

**TOWN OF SHELBY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

We consider the following finding to be a significant deficiency in internal control:

**Finding 2020-001 – Bank Reconciliations**

Condition: The Town should focus on implementing a formal policy concerning the preparation and review of bank reconciliations for all Town bank accounts. The policy should emphasize the timely completion of bank reconciliations in a practical manner. The policy should also specify who prepares and reviews the bank reconciliations.

Criteria: During the year under audit, the Town was not performing necessary bank reconciliations on several bank accounts in a timely manner.

Cause of Condition: The Town does not currently have a formal policy related to bank reconciliation preparation that addresses when the account reconciliations should be completed and reviewed.

Potential Effect of Condition: The lack of reconciling the bank accounts in a timely manner can lead to misstated account balances, an increase in the risk of fraudulent activity, and the potential for financial reporting errors within the Town's accounting system.

Recommendation: We recommend that the Town adopt a standard policy that ensures that bank reconciliations be performed and reviewed on a timely basis by designated Town employees.

Town Response and Corrective Action Plan: The Town acknowledges that the untimely preparation of the bank reconciliations is a significant deficiency. The Town is considering implementing a policy that will ensure that bank reconciliations are completed in a specified period after the end of each month.

We consider the following finding to be a reportable instance of noncompliance:

**Finding 2020-002 – Budget Adjustments**

Condition: During the course of our audit, we noted that the Town over expended budget line items in the General Fund during 2020.

Criteria: According to New York State Town Law, municipalities must adequately budget for expenditures in each major fund and make adjustments to budgets when necessary.

Cause of Condition: The Town did not monitor its budgeted appropriations and adjust budget lines during the year.

Potential Effect of Condition: Overspending budget line items or not adjusting appropriation line items can cause the Town to overspend funds. This could cause deficits in future years as well as lead to possible misappropriation of funds. The Town is also not in compliance with Town law.

Recommendation: We recommend that the Town make budget adjustments to the originally adopted budget to stay in compliance with Town law. The Board should review and approve any suggested adjustments. Budget monitoring should be done at the department level.

Town Response and Corrective Action Plan: The Town acknowledges the noncompliance as a deficiency for the year ended December 31, 2020. The Town will monitor budgeted revenues and appropriations going forward, and will make necessary adjustments in a timely manner.