

**Town of Shelby, New York**

**Financial Statements**  
**With Required Supplementary Information,**  
**and Supplementary Information**  
**As of December 31, 2021**  
**Together With**  
**Independent Auditor's Report**

**TOWN OF SHELBY, NEW YORK**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Town Board  
Town of Shelby  
Medina, New York

### Qualified and Unmodified Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Shelby, New York's basic financial statements as listed in the table of contents.

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Special Revenue Funds	Unmodified
Capital Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on the Governmental Activities section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Shelby, New York, as of December 31, 2021, 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 Opinions on General Fund, Special Revenue Funds, Capital Fund, 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 the General Fund, Special Revenue Funds, Capital Fund, and the aggregate remaining fund information of the Town of Shelby, New York, as of December 31, 2021, 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.

### Basis for Qualified Audit Opinion on the Governmental Activities

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Shelby, New York, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### Matter Giving Rise to the Qualified Opinion on the 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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## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Town's proportionate share of the net pension liability, and schedule of the Town's contributions to the NYSLRS pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be 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, and other knowledge we obtained during our audit of 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shelby, New York's basic financial statements. The combining and individual special revenue and water fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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. In our opinion, the combining and individual nonmajor 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 January 12, 2023, on our consideration of the Town of Shelby, New York'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Shelby, New York's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Shelby, New York's internal control over financial reporting and compliance.

*Allied CPAs, P.C.*

Amherst, New York  
January 12, 2023

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

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, 2021. Please read it in conjunction with the Town's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the Town of Shelby exceeded the liabilities and deferred inflows at the close of the fiscal year by \$10,364,378. Of this amount, \$277,226 is restricted for specific purposes (restricted net position), \$2,024,047 is unrestricted, and \$8,063,105 is invested in capital assets, net of related debt.
- The Town's net position increased by \$368,508 as a result of this year's activity.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$915,162 or 67.79% of total general fund balance.
- The Town made principal payments on outstanding bonds of \$178,400 during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**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 government-wide financial statements distinguish functions of the Town that are principally supported by taxes, intergovernmental revenues, and State and Federal aid (governmental 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.

**The government-wide financial statements can be found on pages 12 - 13 of this report.**

**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.



**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONT.)**

**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 of 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 major 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 fund, special revenue fund, and the capital projects fund. Data for the other non-major governmental funds is presented elsewhere in this report.

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 special revenue funds to demonstrate compliance with this budget.

**The basic governmental fund financial statements can be found on pages 14 - 17 of this report.**

**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 governmentwide 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.

**The basic fiduciary fund financial statements can be found on pages 18 - 19 of this report.**

**Notes to the Financial Statements**

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

**The notes can be found on pages 20 - 38 of this report.**

**Required Supplementary Information**

This information explains and support the financial statements and includes budgetary comparison information, schedule of the Town's proportionate share of the net pension liability, and schedule of the Town's pension contributions.

**The required supplementary information can be found on pages 39 - 42 of this report.**

**Supplementary Information**

The combining statements referred to earlier in connection with special revenue and water district funds are presented immediately following the required supplementary information.

**The supplementary information can be found on pages 43 – 48 of this report.**

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**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 and deferred outflows exceeded liabilities and deferred inflows by \$10,364,378 (net position) at the close of the most recent fiscal year.

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

	<b>Governmental Activities</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b><u>ASSETS AND DEFERRED OUTFLOWS</u></b>		
<b><u>ASSETS</u></b>		
Current and other assets	\$ 3,362,176	\$ 2,855,677
Capital assets	11,437,605	11,701,972
<b>TOTAL ASSETS</b>	<b>14,799,781</b>	<b>14,557,649</b>
Deferred outflows of resources	336,291	352,123
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>336,291</b>	<b>352,123</b>
<b><u>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</u></b>		
<b><u>LIABILITIES</u></b>		
Long-term liabilities	3,979,901	4,659,870
Other liabilities	117,585	117,745
<b>TOTAL LIABILITIES</b>	<b>4,097,486</b>	<b>4,777,615</b>
Deferred inflows of resources	674,208	136,287
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>674,208</b>	<b>136,287</b>
<b><u>NET POSITION</u></b>		
Investment in capital assets	8,063,105	8,149,072
Restricted	277,226	153,468
Unrestricted	2,024,047	1,693,330
<b>TOTAL NET POSITION</b>	<b>\$ 10,364,378</b>	<b>\$ 9,995,870</b>

The largest portion of the Town's net position of \$8,063,105 (77.80%) 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 \$277,226 (2.67%) 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 \$2,024,047 (19.53%), which may be used to meet the Town's ongoing obligations to citizens and creditors.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Governmental Activities**

Governmental activities increased the Town's net position by \$368,508. The following table indicates the changes in net position for governmental activities:

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

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b><u>REVENUES:</u></b>		
<b>PROGRAM REVENUES:</b>		
Charges for services	\$ 790,207	\$ 676,647
Operating grants and contributions	263,109	267,870
<b>GENERAL REVENUES:</b>		
Property taxes	1,394,929	1,354,715
Real property tax items	187,802	164,744
Non-property tax items	104,896	105,811
Use of money and property	50,461	50,670
Licenses and permits	4,491	4,777
Fines and forfeitures	59,744	15,605
Sale of property and compensation for loss	28,553	20,232
Miscellaneous	17,356	4,322
Transfers	-	123,143
<b>TOTAL REVENUES</b>	<b>2,901,548</b>	<b>2,788,536</b>
<b><u>EXPENSES:</u></b>		
General government support	650,304	825,331
Public safety	285,231	278,564
Health	9,120	11,984
Transportation	921,035	1,054,231
Economic assistance and opportunity	4,500	4,500
Cultural and recreation	7,938	4,782
Home and community services	563,278	450,639
Interest and fiscal charges	91,634	93,424
<b>TOTAL EXPENSES</b>	<b>2,533,040</b>	<b>2,723,455</b>
Change in net position	368,508	65,081
NET POSITION - BEGINNING	9,995,870	9,930,789
<b>NET POSITION - ENDING</b>	<b>\$ 10,364,378</b>	<b>\$ 9,995,870</b>

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**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. *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, 2021, the Town's governmental funds reported combined fund balances of \$3,027,388, an increase of \$386,020 in comparison with the prior year. Of the combined fund balances, \$800,728 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 fund balance. Fund balance restricted for specific purposes is \$277,226. \$1,949,434 is classified as assigned fund balance.

The General Fund is the chief operating fund of the Town. At December 31, 2021, unassigned fund balance of the General Fund was \$915,162 and total fund balance of the General Fund was \$1,349,997. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 119.60% of total fund expenditures, while total fund balance also represents 176.42% of that same amount.

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The table below summarizes changes in fund balances of the Town's Governmental Funds for year's ending December 31, 2021 and 2020.

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

	<b>Major Funds</b>			<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>FUND BALANCE AT DECEMBER 31, 2019</b>	\$ 1,160,101	\$ 1,336,924	\$ 758	\$ 2,497,783
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>	1,201,609	1,439,001	758	2,641,368
Revenues	913,594	1,987,954	-	2,901,548
Expenditures	(765,206)	(1,750,322)	-	(2,515,528)
Excess (deficiency) of revenues over expenditures	148,388	237,632	-	386,020
<b>FUND BALANCE AT DECEMBER 31, 2021</b>	<b>\$ 1,349,997</b>	<b>\$ 1,676,633</b>	<b>\$ 758</b>	<b>\$ 3,027,388</b>

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**FINANCIAL ANALYSIS – GOVERNMENTAL REVENUES**

Revenues for governmental functions totaled \$2,901,548 for the fiscal year ended December 31, 2021, which represents an increase of 8.86% from the fiscal year ended 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**

	<u>2021</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2020</u> <u>Amount</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent of</u> <u>Increase</u> <u>(Decrease)</u>
<b><u>REVENUES:</u></b>					
Real property taxes and tax items	\$ 1,582,731	54.55%	\$ 1,519,459	\$ 63,272	4.16%
Non-property tax items	104,896	3.62%	105,811	(915)	-0.86%
Departmental income	669,998	23.09%	540,633	129,365	23.93%
Intergovernmental charges	120,209	4.14%	136,014	(15,805)	-11.62%
Use of money and property	50,461	1.74%	50,670	(209)	-0.41%
Licenses and permits	4,491	0.15%	4,777	(286)	-5.99%
Fines and forfeitures	59,744	2.06%	15,605	44,139	282.85%
Sale of property and compensation for loss	28,553	0.98%	20,232	8,321	41.13%
Miscellaneous	17,356	0.60%	4,322	13,034	301.57%
State aid	263,109	9.07%	267,870	(4,761)	-1.78%
<b>TOTAL REVENUES</b>	<b><u>\$ 2,901,548</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 2,665,393</u></b>	<b><u>\$ 236,155</u></b>	<b>8.86%</b>

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

- Department Income increased due to an increase in metered water sales during the current year.
- Intergovernmental charges decreased due to a smaller snow removal contract.
- Fines and forfeitures increased due to less restrictions on Town court caused by the COVID-19 pandemic.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**FINANCIAL ANALYSIS – GOVERNMENTAL EXPENSES**

Expenses for governmental functions totaled \$2,515,528 for the fiscal year ended December 31, 2021, which represents a decrease of 4.89% from the fiscal year ended December 31, 2020.

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

**Expenditures by Function - Governmental Funds**

<b><u>EXPENDITURES:</u></b>	<b><u>2021</u></b>	<b><u>Percent of</u></b>	<b><u>2020</u></b>	<b><u>Amount of</u></b>	<b><u>Percent of</u></b>
	<b><u>Amount</u></b>	<b><u>Total</u></b>	<b><u>Amount</u></b>	<b><u>Increase</u></b>	<b><u>Increase</u></b>
				<b><u>(Decrease)</u></b>	<b><u>(Decrease)</u></b>
General government support	\$ 538,417	21.40%	\$ 645,710	\$ (107,293)	-16.62%
Public safety	284,668	11.32%	276,843	7,825	2.83%
Health	8,803	0.35%	11,358	(2,555)	-22.50%
Transportation	753,625	29.96%	768,593	(14,968)	-1.95%
Economic assistance and opportunity	4,500	0.18%	4,500	-	0.00%
Culture and recreation	7,516	0.30%	3,947	3,569	90.42%
Home and community services	386,625	15.37%	353,325	33,300	9.42%
Employee benefits	260,117	10.34%	313,348	(53,231)	-16.99%
Debt service - principal	178,400	7.09%	170,800	7,600	4.45%
Debt service - interest	92,857	3.69%	96,527	(3,670)	-3.80%
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 2,515,528</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 2,644,951</u></b>	<b><u>\$ (129,423)</u></b>	<b><u>-4.89%</u></b>

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

- General government support decreased due to less expenditures for contractual engineer and building.
- Transportation decreased due to machinery and snow removal within the Highway Fund and repairs in the Part-Town Highway Fund.
- Home and community services changed due to an increase in expenditures to supply water to the Town's water districts.
- Employee benefits changed due to a decrease in insurance paid for employees in the current year.

**TOWN OF SHELBY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of December 31, 2021, amounted to \$11,437,605 (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:

**Summary of Town of Shelby's Capital Assets**  
**(Net of Depreciation)**

	<u>2021</u>	<u>2020</u>
Land	\$ 260,100	\$ 260,100
Infrastructure	10,741,515	10,896,106
Buildings and improvements	230,283	276,337
Machinery and equipment	205,707	269,428
<b>TOTAL CAPITAL ASSETS, NET</b>	<b><u>\$ 11,437,605</u></b>	<b><u>\$ 11,701,971</u></b>

Additional information on the Town of Shelby's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At December 31, 2021, The Town had total serial bonds outstanding of \$3,374,500 as compared to \$3,552,900 in the prior year. During the year retirement of debt amounted to \$178,400. 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 \$14,447,665, of which 3.56% is exhausted.

The following is a summary of the Town of Shelby's long-term liabilities for governmental activities, as shown on the Statement of Net Position, for the year ending December 31, 2021:

Serial bonds	\$ 3,374,500
Compensated absences	85,116
Accrued post-employment benefit obligation	518,925
Net pension liability	1,360
<b>TOTAL LONG-TERM DEBT</b>	<b><u>\$ 3,979,901</u></b>

**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, 2021**

**ASSETS AND DEFERRED OUTFLOWS**

**ASSETS**

Cash and cash equivalents	\$	3,217,073
Account receivables		200
Water rent receivables		144,903
Capital assets:		
Land		260,100
Other capital assets, net of depreciation		11,177,505
<b>TOTAL ASSETS</b>		<b>14,799,781</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions		336,291
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<b>336,291</b>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**    **\$    15,136,072**

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

**LIABILITIES**

Accounts payable	\$	95,153
Accrued interest on bonds payable		22,324
Due to fiduciary fund		108
Long-term liabilities:		
Due within one year:		
Bonds payable		186,700
Due in more than one year:		
Bonds payable		3,187,800
Compensated absences		85,116
OPEB liability		518,925
Net pension liability - proportionate share		1,360
<b>TOTAL LIABILITIES</b>		<b>4,097,486</b>

**DEFERRED INFLOWS OF RESOURCES**

Unearned revenue		107,886
Unearned revenue - ARPA		131,641
Pensions		434,681
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>674,208</b>

**NET POSITION**

Invested in capital assets, net of related debt		8,063,105
Restricted		277,226
Unrestricted		2,024,047
<b>TOTAL NET POSITION</b>		<b>10,364,378</b>

**TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION**    **\$    15,136,072**

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, 2021**

		Program Revenues		Net (Expense)
<b><u>FUNCTIONS / PROGRAM</u></b>	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Governmental Activities:</b>				
General government	\$ (650,304)	\$ 1,162	\$ 205,529	\$ (443,613)
Public safety	(285,231)	-	-	(285,231)
Health	(9,120)	725	-	(8,395)
Transportation	(921,035)	120,209	-	(800,826)
Economic assistance and opportunity	(4,500)	-	-	(4,500)
Culture and recreation	(7,938)	-	-	(7,938)
Home and community services	(563,278)	668,111	57,580	162,413
Interest and fiscal charges	(91,634)	-	-	(91,634)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (2,533,040)</b>	<b>\$ 790,207</b>	<b>\$ 263,109</b>	<b>(1,479,724)</b>
<b>General Revenues:</b>				
Real property taxes				1,394,929
Real property tax items				187,802
Non-property tax items				104,896
Use of money and property				50,461
Licenses and permits				4,491
Fines and forfeitures				59,744
Sale of property				28,553
Miscellaneous				17,356
<b>TOTAL GENERAL REVENUES</b>				<b>1,848,232</b>
Change in net position				368,508
Total net position at beginning of year (restated)				9,995,870
<b>Total net position at end of year</b>				<b>\$ 10,364,378</b>

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

**TOWN OF SHELBY, NEW YORK**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**DECEMBER 31, 2021**

	<u>ASSETS</u>			
	<u>General - Townwide</u>	<u>Special Revenue Funds</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,211,369	\$ 2,004,946	\$ 758	\$ 3,217,073
Accounts receivable	200	-	-	200
Water rents receivable	-	144,903	-	144,903
Due from other funds	399,970	70,097	-	470,067
<b>TOTAL ASSETS</b>	<b>\$ 1,611,539</b>	<b>\$ 2,219,946</b>	<b>\$ 758</b>	<b>\$ 3,832,243</b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 22,015	\$ 73,138	\$ -	\$ 95,153
Due to other funds	-	470,175	-	470,175
<b>TOTAL LIABILITIES</b>	<b>22,015</b>	<b>543,313</b>	<b>-</b>	<b>565,328</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned revenue	107,886	-	-	107,886
Unearned revenue - ARPA	131,641	-	-	131,641
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>239,527</b>	<b>-</b>	<b>-</b>	<b>239,527</b>
<b><u>FUND BALANCE</u></b>				
Restricted	130,502	145,966	758	277,226
Assigned	304,333	1,645,101	-	1,949,434
Unassigned	915,162	(114,434)	-	800,728
<b>TOTAL FUND BALANCES</b>	<b>1,349,997</b>	<b>1,676,633</b>	<b>758</b>	<b>3,027,388</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,611,539</b>	<b>\$ 2,219,946</b>	<b>\$ 758</b>	<b>\$ 3,832,243</b>

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, 2021**

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

Total governmental fund balances	\$	3,027,388
Capital assets are not financial resources and are not reported in the funds		
Capital assets		18,780,966
Accumulated depreciation		(7,343,361)
Certain liabilities and deferred inflows are not considered financial uses or are not due or payable in the current period and therefore are not reported in the funds:		
Bonds payable		(3,374,500)
Compensated absences		(85,116)
Other postemployment benefits		(518,925)
Proportionate share of employees retirement system liability		(1,360)
Accrued interest on obligations		(22,324)
Deferred outflows related to employee retirement systems liability		336,291
Deferred inflows related to employee retirement systems liability		(434,681)
		(434,681)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>10,364,378</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, 2021**

	<u>General - Townwide</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Real property taxes	\$ 564,000	\$ 830,929	\$ -	\$ 1,394,929
Real property tax items	111,925	75,877	-	187,802
Non-property tax items	-	104,896	-	104,896
Departmental income	19,351	650,647	-	669,998
Intergovernmental charges	-	120,209	-	120,209
Use of money and property	50,461	-	-	50,461
Licenses and permits	4,491	-	-	4,491
Fines and forfeitures	59,744	-	-	59,744
Sale of property and compensation for loss	-	28,553	-	28,553
Miscellaneous	4,078	13,278	-	17,356
State aid	99,544	163,565	-	263,109
<b>TOTAL REVENUES</b>	<u>913,594</u>	<u>1,987,954</u>	<u>-</u>	<u>2,901,548</u>
<b>EXPENDITURES:</b>				
General government support	538,417	-	-	538,417
Public safety	1,902	282,766	-	284,668
Health	-	8,803	-	8,803
Transportation	79,850	673,775	-	753,625
Economic opportunity and development	4,500	-	-	4,500
Culture and recreation	1,216	6,300	-	7,516
Home and community services	9,124	377,501	-	386,625
Employee benefits	130,197	129,920	-	260,117
Debt service - principal	-	178,400	-	178,400
Debt service - interest	-	92,857	-	92,857
<b>TOTAL EXPENDITURES</b>	<u>765,206</u>	<u>1,750,322</u>	<u>-</u>	<u>2,515,528</u>
Excess (deficiency) of revenues over expenditures	148,388	237,632	-	386,020
Fund Balance - beginning of year (restated)	<u>1,201,609</u>	<u>1,439,001</u>	<u>758</u>	<u>2,641,368</u>
<b>Fund Balance - end of year</b>	<u><b>\$ 1,349,997</b></u>	<u><b>\$ 1,676,633</b></u>	<u><b>\$ 758</b></u>	<u><b>\$ 3,027,388</b></u>

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

**TOWN OF SHELBY, NEW YORK**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Net change in fund balances total governmental funds.	\$	386,020
Depreciation recorded on the statements of activities but not in the governmental funds.		(264,366)
Accrued interest is reported on the statement of activities but not in the governmental funds.		1,223
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduced long-term liabilities on the statement of net position.		
Payment of bond principal		178,400
The net change in compensated absences are recorded in the statement of activities but not in the statement of governmental funds.		36,423
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		(15,832)
Change in proportionate share of employee retirement liability		(418,506)
Change in deferred inflows - employee retirement system		465,146
		465,146
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>368,508</u></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, 2021**

**ASSETS**

	<b>Expendable Trust</b>
	<b><u>          </u></b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 28,344
Due from other funds	108
<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 NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b><u>Expendable Trust</u></b>
<b>Additions</b>	\$ <u>          -</u>
<b>Deductions</b>	<u>          -</u>
Change in net position	-
Net Position - beginning of year	<u>          28,452</u>
<b>Net Position - end of year</b>	<b><u>          \$ 28,452</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, 2021**

**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 (2)	

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.

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.

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 statement.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Fund Categories**

**Governmental Funds**

The fund statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, All remaining governmental funds are aggregated and reported as nonmajor funds. Major Individual governmental funds are reported as separate columns in the fund financials statements.

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

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

*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.

**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.

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.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**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.

**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.

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

**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, 2021**

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

**Budgets and Budgetary Data**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. No later than September 30<sup>th</sup> the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1<sup>st</sup>. 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 November 20<sup>th</sup>, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board.
- d. Budgetary controls for the Special Grant Fund are established by applicable grant agreements that cover a period other than the Town's fiscal year.
- e. Budgetary controls are established for the Capital Projects Fund through Town Board resolutions authorizing individual projects that 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.

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

**Due To and Due From Other Funds**

In the fund financial statements, non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

**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 \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical 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	30 – 40 years
Improvements	15 – 20 years
Vehicles and equipment	5 – 15 years
Infrastructure	10 – 50 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.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Accrued Liabilities and Long-Term Obligation**

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full, from current financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due. Long-term obligations represent the Town's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the statement of net position.

**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 on December 31, 2021 totaled \$85,116 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.

**Insurance**

The Town purchases insurance covering liability for most risks including, but not limited to, general liability, vehicle liability, 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.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualify for reporting in this category. It is deferred amounts related to the pension reported in the government-wide Statement of Net Position. The deferred amounts related to pension relate difference s between estimated and actual investing earnings, changes in assumptions and other pension related changes.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualify for reporting in this category. In the government-wide financial statements the Town reports deferred amounts related to pension.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Federal Grants**

Federal grants are recorded as grants receivable and deferred revenue when the entitlement period occurs. Revenues are recognized using the modified accrual basis of accounting as the Town meets the performance requirements of the grants.

**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.

**Net Position/Fund Balance:**

**Net Position Flow Assumptions**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the governmental-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**Fund Balance Flow Assumption**

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy that the Town Board will assess the current financial condition of the Town and then determine the order of application of expenditures to which fund balance classification will be charged.

**Interfund Transactions**

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The Town typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

**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. In the General Fund, committed fund balance is determine next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Net Position Classifications:**

**Government-Wide Statements**

The government-wide fund financial statements utilize a net position presentation.

Net position is categorized as follows:

*Net Invested in Capital Assets* - This category groups all capital assets, including infrastructure, into one component of net assets. 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.

**Governmental Funds 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.

*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.

*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 net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

**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.

**Restatement of Beginning Fund Balance and Net Position**

For the year ended December 31, 2021, the Town restated its beginning fund balances in the General Fund, Highway Townwide Fund, and Highway Part-Town Fund to correct various errors related to cash balances from previous years. The net effect of the adjustments increased beginning fund balance and net position by \$46,664.

**Subsequent Events**

The Town has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 12, 2023, which is the date the financial statements were available to be issued.



**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Budget**

Budgetary control of the General Fund is minimally exercised at the department and account level. There were no excesses of expenditures/expenses over appropriations at the established control level.

**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 and obligations issued by other than New York State related in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

The Town's aggregate bank balances collateralized on December 31, 2021 consisted of the following:

	<b>Bank Balance</b>	<b>Carrying Amount</b>
Insured (FDIC)	\$ 500,000	\$ 500,000
<b><u>COLLATERALIZED:</u></b>		
Collateral held by bank in Town's name	2,636,914	2,745,417
<b>TOTAL DEPOSITS</b>	<b>\$ 3,136,914</b>	<b>\$ 3,245,417</b>

**Investment and Deposit Policy**

The Town follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Town Supervisor.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Town's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Town's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 3 - Cash and Cash Equivalents (Cont.)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Town's investment and deposit policy, all deposits of the Town including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The Town restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations

**Note 4 - Capital Assets**

Capital assets for the year ended December 31, 2021 were as follows:

	<u>Balance at January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at December 31, 2021</u>
<b><u>CAPITAL ASSETS NOT BEING DEPRECIATED:</u></b>				
Land	\$ 260,100	\$ -	\$ -	\$ 260,100
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b><u>\$ 260,100</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 260,100</u></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	15,459,137	-	-	15,459,137
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b><u>18,520,866</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>18,520,866</u></b>
<b><u>LESS: ACCUMULATED DEPRECIATION FOR:</u></b>				
Buildings and Improvements	875,019	46,054	-	921,073
Machinery and Equipment	1,640,945	63,721	-	1,704,666
Infrastructure	4,563,031	154,591	-	4,717,622
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b><u>7,078,995</u></b>	<b><u>264,366</u></b>	<b><u>-</u></b>	<b><u>7,343,361</u></b>
Total capital assets being depreciated, net	<u>11,441,871</u>	<u>(264,366)</u>	<u>-</u>	<u>11,177,505</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<b><u>\$ 11,701,971</u></b>	<b><u>\$ (264,366)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,437,605</u></b>

Depreciation expense was charged to function/programs of the primary government as follows:

<b><u>GOVERNMENTAL ACTIVITIES:</u></b>	
General government	\$ 46,054
Transportation	63,721
Home and community services	154,591
<b>TOTAL DEPRECIATION EXPENSE</b>	<b><u>\$ 264,366</u></b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 5 – Unearned Revenue**

During 2021, the Town was awarded \$263,281 of funding from the American Recovery Plan Act (ARPA) Coronavirus Local Fiscal Recovery Fund, paid in two installments. The Town has received the first installment in the amount of \$131,641, which was passed through the New York State Office of the State Comptroller. The Town has not spent any of the ARPA funds during the year ended December 31, 2021. The second installment is anticipated to be received during the year ended December 31, 2022.

The Town also reported deferred revenue related to a sidewalk project that has not yet commenced. Unearned revenue at year end amounted to \$107,886.

**Note 6 - 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, 2021.

**Note 7 - Long-Term Obligations**

**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.

**Other Long-Term Liabilities**

In addition to the above serial bonds, the Town had the following noncurrent liabilities:

Compensated Absences - represents the value of earned and unused portions of the liability for vacation and sick leave.

Net OPEB Liability – represents the Town’s obligation for benefits expected to be paid out to retirees (e.g. health insurance costs), discounted to the present value, over a number of years.

Net Pension Liability – Proportionate Share - represents the Town’s share of the state retirement systems’ liability for pensions for employees.

Serial bonds	\$	3,374,500
Compensated absences		85,116
OPEB liability		518,925
Net pension liability		1,360
<b>TOTAL</b>	<b>\$</b>	<b><u>3,979,901</u></b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 7 - Long-Term Obligations (Cont.)**

**Summary of the Changes in the Non-Current Government Liabilities**

The following is a summary of changes in the Non-Current Government Liabilities for the year ended December 31, 2021:

<b>GOVERNMENTAL ACTIVITIES:</b>	<b>Balance January 1, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2021</b>
Serial Bonds	\$ 3,552,900	\$ -	\$ 178,400	\$ 3,374,500
Compensated Absences	121,539	-	36,423	85,116
OPEB liability	518,925	-	-	518,925
Net pension liability	466,506	-	465,146	1,360
<b>LONG-TERM LIABILITIES</b>	<b>\$ 4,659,870</b>	<b>\$ -</b>	<b>\$ 679,969</b>	<b>\$ 3,979,901</b>

**General Obligation Serial Bonds**

The following is a summary of general obligation serial bond transactions of the Town for the year ended December 31, 2021:

<b>Description</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Balance January 1, 2021</b>	<b>Issued</b>	<b>Payments</b>	<b>Balance December 31, 2021</b>
<b>Highway Fund:</b>						
Bates Road	2027	2.13%	\$ 440,000	\$ -	\$ 60,000	\$ 380,000
Equipment	2024	2.00%	175,000	-	40,000	135,000
<b>Water Districts:</b>						
Water District # 2	2029	6.75%	30,600	-	3,400	27,200
Water District # 3	2033	4.50%	107,100	-	6,300	100,800
Water District # 4A	2036	4.50%	120,300	-	5,200	115,100
Water District # 4B	2038	4.50%	157,700	-	5,800	151,900
Water District # 6	2040	4.50%	74,700	-	2,400	72,300
Water District # 7	2042	4.50%	242,700	-	6,700	236,000
Water District # 8	2046	4.38%	255,800	-	5,600	250,200
Water District # 9	2048	2.25%	362,000	-	9,000	353,000
Water District # 10	2054	1.38%	281,000	-	7,000	274,000
Water District # 11	2054	1.88%	384,000	-	8,000	376,000
Water District # 12	2055	1.75%	922,000	-	19,000	903,000
<b>TOTAL</b>			<b>\$ 3,552,900</b>	<b>\$ -</b>	<b>\$ 178,400</b>	<b>\$ 3,374,500</b>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 7 - Long-Term Obligations (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, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	156,200	70,438	226,638
2027 - 2031	557,600	287,977	845,577
2032 - 2036	524,100	206,761	730,861
2037 - 2041	477,900	130,578	608,478
2042 - 2046	420,400	72,452	492,852
2047 - 2051	308,000	32,268	340,268
2052 - 2056	211,000	7,886	218,886
	<b><u>\$ 3,374,500</u></b>	<b><u>\$ 1,128,582</u></b>	<b><u>\$ 4,503,082</u></b>

**Note 8 – Pension Plans**

**Plan Description**

The Town of Shelby participates in the New York State and Local Employees' Retirement System (ERS). Which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefit 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 transactions 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 Employees' Retirement Systems, 110 State Street, Albany, New York 12236.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 8 – Pension Plans (Cont.)**

**Funding Policy**

The plan is 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 for the first ten years of membership and employees who joined on or after January 1, 2010, who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annual certifies the actuarially determined rate expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31.

Membership, benefits and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

**ERS**

- Tier 1 - Those persons who last became members of the System before July 1, 1973.
- Tier 2 – Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 – Generally those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 – Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 – Those persons who last became members of the System on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who first became members of the System on or after April 1, 2012

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

	<b><u>ERS</u></b>
2021	\$ 63,533
2020	\$ 77,235
2019	\$ 69,677

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

At December 31, 2021, the Town of Shelby reported a liability of \$1,360 for its proportionate share of the pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. 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 participating members, actuarially determined.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 8 – Pension Plans (Cont.)**

At December 31, 2021, the Town of Shelby's proportion was .0013659%. For the year ended December 31, 2021, the Town of Shelby recognized pension expense of \$24,735. At December 31, 2021 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	\$ 16,610	\$ -
Changes of assumptions	250,075	4,716
Net difference between projected and actual investment earnings on pension plan investments	-	390,695
Changes in proportion and differences between employer Contributions and proportionate share of contributions	19,558	39,270
Town contributions subsequent to the measurement date	50,048	-
<b>TOTAL</b>	<b><u>\$ 336,291</u></b>	<b><u>\$ 434,681</u></b>

The Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2022	\$ (28,350)
2023	(11,990)
2024	(25,382)
2025	(82,717)
2026	-
Thereafter	-

**Actuarial Assumptions**

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Interest rate	5.90%
Inflation	2.70%
Salary	4.40%
Investment rate of return	5.90%
Costs of living adjustments	1.40%
Decrement Tables	April 1, 2015 - March 31, 2020 system's experience

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 8 - Pension Plans (Cont.)**

**Actuarial Assumptions (Cont.)**

Annuitant mortality rates are based on April 1, 2015- March 31, 2020, System's experience with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation is based on the results of an actuarial experience study for the period April 1, 2015-March 31, 2020.

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, 2021 are summarized below:

<u>Asset Type</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	4.05%
International Equity	6.30%
Private Equity	6.75%
Real Estate	4.95%
Opportunistic / ARC 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 2.00 percent.

**Discount Rate**

The discount used to calculate the total pension liability was 5.90%. 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.

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

The following presents the Town of Shelby's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, 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-percentage point lower (4.90 percent) or 1-percentage point higher (6.90 percent) than the current rate:

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
Town's proportionate share of the net pension liability (asset)	\$ 377,506	\$ 1,360	\$ (345,534)



**TOWN OF SHELBY, NEW YORK**  
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**Note 8 - Pension Plans (Cont.)**

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the total employers' share for the state retirement system as of March 31, 2021, are as follows:

		<u>Employees' Retirement System</u>
Employers' total pension liability	\$	220,680,157
Fiduciary net position		<u>220,580,583</u>
Employers' net position liability	\$	<u><u>99,574</u></u>
Ratio of plan net position to the employer's total pension liability		99.95%

**Note 9 - 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><u>345,579</u></u>
Funded ratio		<u>0.00%</u>
Annual covered payroll	\$	<u><u>-</u></u>
Ratio of unfunded actuarial accrued liability to covered payroll		<u>0.00%</u>
Normal cost	\$	<u><u>1,986</u></u>

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 9 - Other Postemployment Benefits - GASB Statement 45 (Cont.)**

**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.

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 unfounded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for 2021:

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

The following table reconciles the Town's OPEB obligation at December 31, 2021:

Net OPEB obligation at beginning of year	\$ 475,588
OPEB expense	108,666
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, 2021**

**Note 9- 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 10 – Interfund Transactions**

Individual fund operating transfer and interfund receivables and payables for the year ended December 31, 2021 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 399,970	\$ -
General Fund - Town Outside Village	-	36,712
Highway Fund Townwide	36,712	388,348
Highway Fund - Town Outside Village	17,811	45,007
Water Fund	15,574	108
Cemetery Fund	108	-
<b>TOTAL</b>	<b><u>\$ 470,175</u></b>	<b><u>\$ 470,175</u></b>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**TOWN OF SHELBY, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**Note 11 – Fund Balance**

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

Fund	Balances
<b>GENERAL FUND:</b>	
Reserve for repairs	\$ 130,502
<b>HIGHWAY FUND:</b>	
Capital reserve	145,966
<b>CAPITAL FUND:</b>	
Fund balance	758
<b>TOTAL RESTRICTED FUND BALANCE</b>	<b>\$ 277,226</b>

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

Fund	Balances
<b>GENERAL FUND:</b>	
General fund - appropriated	\$ 304,333
<b>SPECIAL REVENUE FUNDS:</b>	
General fund- town outside village - appropriated	17,695
General fund- town outside village - unappropriated	492,730
Highway fund - townwide outside village - appropriated	68,656
Highway fund - townwide outside village - unappropriated	137,845
Water fund - appropriated	7,485
Water fund - unappropriated	845,373
Fire district - unappropriated	66,877
Lighting district - unappropriated	8,440
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>1,645,101</b>
<b>TOTAL ASSIGNED FUND BALANCE</b>	<b>\$ 1,949,434</b>

**Note 12 - 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.

**REQUIRED 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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>				
Real property taxes	\$ 564,000	\$ 564,000	\$ 564,000	\$ -
Real property tax items	100,000	100,000	111,925	11,925
Departmental income	18,100	18,100	19,351	1,251
Use of money and property	30,300	30,300	50,461	20,161
Licenses and permits	3,375	3,375	4,491	1,116
Fines and forfeitures	45,800	45,800	59,744	13,944
Sale of property and compensation for loss	50	50	-	(50)
Miscellaneous	50	50	4,078	4,028
State aid	85,000	85,000	99,544	14,544
<b>TOTAL REVENUES</b>	<u>846,675</u>	<u>846,675</u>	<u>913,594</u>	<u>66,919</u>
<b>EXPENDITURES:</b>				
General government support	861,524	855,784	538,417	317,367
Public safety	12,200	12,200	1,902	10,298
Transportation	74,592	80,332	79,850	482
Economic opportunity and development	12,000	12,000	4,500	7,500
Culture and recreation	2,450	2,450	1,216	1,234
Home and community services	10,000	10,000	9,124	876
Employee benefits	161,600	161,600	130,197	31,403
<b>TOTAL EXPENDITURES</b>	<u>1,134,366</u>	<u>1,134,366</u>	<u>765,206</u>	<u>369,160</u>
Excess (deficiency) of revenues over expenditures	(287,691)	(287,691)	148,388	(302,241)
Fund balance - beginning of year (restated)	<u>1,201,609</u>	<u>1,201,609</u>	<u>1,201,609</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><b>\$ 913,918</b></u>	<u><b>\$ 913,918</b></u>	<u><b>\$ 1,349,997</b></u>	<u><b>\$ (302,241)</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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>				
Real property taxes	\$ 830,929	\$ 830,929	\$ 830,929	\$ -
Real property tax items	64,877	64,877	75,877	11,000
Non-property tax items	94,890	94,890	104,896	10,006
Departmental income	604,039	604,039	650,647	46,608
Intergovernmental charges	155,000	155,000	120,209	(34,791)
Use of money and property	1,300	1,300	-	(1,300)
Sale of property and compensation for loss	4,600	4,600	28,553	23,953
Miscellaneous	-	-	13,278	13,278
State aid	126,578	126,578	163,565	36,987
<b>TOTAL REVENUES</b>	<u>1,882,213</u>	<u>1,882,213</u>	<u>1,987,954</u>	<u>105,741</u>
<b>EXPENDITURES:</b>				
General government support	62,000	62,000	-	62,000
Public safety	287,506	287,506	282,766	4,740
Health	10,900	10,900	8,803	2,097
Transportation	744,000	744,000	673,775	70,225
Culture and recreation	9,500	9,500	6,300	3,200
Home and community services	492,952	492,758	377,501	115,257
Employee benefits	186,521	186,715	129,920	56,795
Principal	178,400	178,400	178,400	-
Interest	94,334	94,334	92,857	1,477
<b>TOTAL EXPENDITURES</b>	<u>2,066,113</u>	<u>2,066,113</u>	<u>1,750,322</u>	<u>315,791</u>
Excess (deficiency) of revenues over expenditures	(183,900)	(183,900)	237,632	(210,050)
Fund balance - beginning of year (restated)	<u>1,439,001</u>	<u>1,439,001</u>	<u>1,439,001</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><b>\$ 1,255,101</b></u>	<u><b>\$ 1,255,101</b></u>	<u><b>\$ 1,676,633</b></u>	<u><b>\$ (210,050)</b></u>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SCHEDULE OF TOWN'S PROPORTIONATE SHARE**  
**OF NET PENSION LIABILITY – NLRs PENSION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b><u>Employees' Retirement System (ERS)</u></b>					
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Town's proportion share of the net pension liability (asset)	0.0013659%	0.0017617%	0.0016190%	0.0017030%	0.0020047%
Town's proportionate share of the net pension liability (asset)	\$ 1,360	\$ 466,506	\$ 114,703	\$ 54,965	\$ 54,965
Town's covered-employee payroll	\$ 438,188	\$ 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	0.31%	79.70%	20.69%	12.48%	13.04%
Plan fiduciary net position as a percentage of the total pension liability	99.9%	86.4%	96.3%	98.2%	94.7%

See independent auditor's report.



**TOWN OF SHELBY, NEW YORK**  
**SCHEDULE OF THE TOWN'S CONTRIBUTION**  
**NYSLRS PENSION PLAN**  
**DECEMBER 31, 2021**

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b><u>Employees' Retirement System (ERS)</u></b>					
Contractually required contribution	\$ 63,533	\$ 77,235	\$ 69,677	\$ 69,090	\$ 68,315
Contributions in relation to the contractually required contribution	\$ 63,533	\$ 77,235	\$ 69,677	\$ 69,090	\$ 68,315
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 438,188	\$ 585,354	\$ 554,328	\$ 440,411	\$ 421,543
Contributions as a percentage of covered-employee payroll	14.50%	13.19%	12.57%	15.69%	16.21%

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**TOWN OF SHELBY, NEW YORK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2021**

**ASSETS**

	<b>General Fund- Town Outside Village</b>	<b>Highway Fund - Townwide</b>	<b>Highway Fund - Town Outside Village</b>	<b>Water Districts</b>	<b>Fire Protection Districts</b>	<b>Lighting Districts</b>	<b>Total</b>
<b><u>ASSETS</u></b>							
Cash and cash equivalents	\$ 547,137	\$ 383,168	\$ 233,697	\$ 765,627	\$ 66,877	\$ 8,440	\$ 2,004,946
Water rents receivable	-	-	-	144,903	-	-	144,903
Due from other funds	-	36,712	17,811	15,574	-	-	70,097
<b>TOTAL ASSETS</b>	<b><u>\$ 547,137</u></b>	<b><u>\$ 419,880</u></b>	<b><u>\$ 251,508</u></b>	<b><u>\$ 926,104</u></b>	<b><u>\$ 66,877</u></b>	<b><u>\$ 8,440</u></b>	<b><u>\$ 2,219,946</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ -	\$ -	\$ -	\$ 73,138	\$ -	\$ -	\$ 73,138
Due to other funds	36,712	388,348	45,007	108	-	-	470,175
<b>TOTAL LIABILITIES</b>	<b><u>36,712</u></b>	<b><u>388,348</u></b>	<b><u>45,007</u></b>	<b><u>73,246</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>543,313</u></b>

**FUND BALANCE**

Restricted	-	145,966	-	-	-	-	145,966
Assigned	510,425	-	206,501	852,858	66,877	8,440	1,645,101
Unassigned	-	(114,434)	-	-	-	-	(114,434)
<b>TOTAL FUND BALANCE</b>	<b><u>510,425</u></b>	<b><u>31,532</u></b>	<b><u>206,501</u></b>	<b><u>852,858</u></b>	<b><u>66,877</u></b>	<b><u>8,440</u></b>	<b><u>1,676,633</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 547,137</u></b>	<b><u>\$ 419,880</u></b>	<b><u>\$ 251,508</u></b>	<b><u>\$ 926,104</u></b>	<b><u>\$ 66,877</u></b>	<b><u>\$ 8,440</u></b>	<b><u>\$ 2,219,946</u></b>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund- Town Outside Village	Highway Fund - Townwide	Highway Fund - Town Outside Village	Water Districts	Fire Protection Districts	Lighting Districts	Total
<b>REVENUES:</b>							
Real property taxes	\$ 43,519	\$ 201,000	\$ 304,208	\$ -	\$ 282,202	\$ -	\$ 830,929
Real property tax items	64,066	11,811	-	-	-	-	75,877
Non-property tax items	3,340	-	101,556	-	-	-	104,896
Departmental income	7,137	-	-	643,510	-	-	650,647
Intergovernmental charges	-	120,209	-	-	-	-	120,209
Use of money and property	-	-	-	-	-	-	-
Sale of property and comp. for loss	-	18,420	5,436	4,697	-	-	28,553
Miscellaneous	-	8,581	-	4,697	-	-	13,278
State aid	-	105,985	57,580	-	-	-	163,565
<b>TOTAL REVENUES</b>	<u>118,062</u>	<u>466,006</u>	<u>468,780</u>	<u>652,904</u>	<u>282,202</u>	<u>-</u>	<u>1,987,954</u>
<b>EXPENDITURES:</b>							
Public safety	1,599	-	-	-	281,167	-	282,766
Health	8,803	-	-	-	-	-	8,803
Transportation	-	339,364	334,411	-	-	-	673,775
Culture and recreation	6,300	-	-	-	-	-	6,300
Home and community services	40,894	-	-	336,607	-	-	377,501
Employee benefits	6,487	48,769	70,129	4,535	-	-	129,920
Debt service - principal	-	40,000	60,000	78,400	-	-	178,400
Debt service - interest	-	3,213	10,056	79,588	-	-	92,857
<b>TOTAL EXPENDITURES</b>	<u>64,083</u>	<u>431,346</u>	<u>474,596</u>	<u>499,130</u>	<u>281,167</u>	<u>-</u>	<u>1,750,322</u>
Excess (deficiency) of revenues over expenditures	53,979	34,660	(5,816)	153,774	1,035	-	237,632
Fund balances - beginning of year (restated)	<u>456,446</u>	<u>(3,128)</u>	<u>212,317</u>	<u>699,084</u>	<u>65,842</u>	<u>8,440</u>	<u>1,439,001</u>
<b>Fund balances - end of year</b>	<u><u>\$ 510,425</u></u>	<u><u>\$ 31,532</u></u>	<u><u>\$ 206,501</u></u>	<u><u>\$ 852,858</u></u>	<u><u>\$ 66,877</u></u>	<u><u>\$ 8,440</u></u>	<u><u>\$ 1,676,633</u></u>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021**

**ASSETS**

	<b>Water District #1</b>	<b>Water District #2</b>	<b>Water District #3</b>	<b>Water District #4A</b>	<b>Water District #4B</b>	<b>Water District #5</b>
<b><u>ASSETS</u></b>						
Cash	\$ 111,761	\$ 103,445	\$ 65,761	\$ 36,393	\$ 51,305	\$ 52,377
Water rents receivable	7,527	6,770	12,065	11,035	13,055	882
Due from other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 119,288</u></b>	<b><u>\$ 110,215</u></b>	<b><u>\$ 77,826</u></b>	<b><u>\$ 47,428</u></b>	<b><u>\$ 64,360</u></b>	<b><u>\$ 53,259</u></b>

**LIABILITIES AND FUND BALANCE**

<b><u>LIABILITIES</u></b>						
Accounts payable	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626
Due to other funds	108	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>5,734</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>
<b><u>FUND BALANCE</u></b>						
Assigned	113,554	104,589	72,200	41,802	58,734	47,633
<b>TOTAL FUND BALANCE</b>	<b><u>113,554</u></b>	<b><u>104,589</u></b>	<b><u>72,200</u></b>	<b><u>41,802</u></b>	<b><u>58,734</u></b>	<b><u>47,633</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 119,288</u></b>	<b><u>\$ 110,215</u></b>	<b><u>\$ 77,826</u></b>	<b><u>\$ 47,428</u></b>	<b><u>\$ 64,360</u></b>	<b><u>\$ 53,259</u></b>

See independent auditor's report.

**TOWN OF SHELBY, NEW YORK**  
**WATER FUND**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021**

**ASSETS**

	<b>Water District #6</b>	<b>Water District #7</b>	<b>Water District #8</b>	<b>Water District #9</b>	<b>Water District #10</b>	<b>Water District #11</b>	<b>Water District #12</b>	<b>Total</b>
<b><u>ASSETS</u></b>								
Cash	\$ 162,560	\$ 14,596	\$ 25,282	\$ 46,431	\$ 27,650	\$ 41,852	\$ 26,214	\$ 765,627
Water rents receivable	9,330	13,342	11,726	13,299	8,791	11,132	25,949	144,903
Due from other funds	-	-	-	-	-	-	15,574	15,574
<b>TOTAL ASSETS</b>	<b><u>\$ 171,890</u></b>	<b><u>\$ 27,938</u></b>	<b><u>\$ 37,008</u></b>	<b><u>\$ 59,730</u></b>	<b><u>\$ 36,441</u></b>	<b><u>\$ 52,984</u></b>	<b><u>\$ 67,737</u></b>	<b><u>\$ 926,104</u></b>

**LIABILITIES AND FUND BALANCE**

<b><u>LIABILITIES</u></b>								
Accounts payable	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 5,626	\$ 73,138
Due to other funds	-	-	-	-	-	-	-	108
<b>TOTAL LIABILITIES</b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>5,626</u></b>	<b><u>73,246</u></b>
<b><u>FUND BALANCE</u></b>								
Assigned	166,264	22,312	31,382	54,104	30,815	47,358	62,111	852,858
<b>TOTAL FUND BALANCE</b>	<b><u>166,264</u></b>	<b><u>22,312</u></b>	<b><u>31,382</u></b>	<b><u>54,104</u></b>	<b><u>30,815</u></b>	<b><u>47,358</u></b>	<b><u>62,111</u></b>	<b><u>852,858</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 171,890</u></b>	<b><u>\$ 27,938</u></b>	<b><u>\$ 37,008</u></b>	<b><u>\$ 59,730</u></b>	<b><u>\$ 36,441</u></b>	<b><u>\$ 52,984</u></b>	<b><u>\$ 67,737</u></b>	<b><u>\$ 926,104</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, 2021**

	<b>Water District #1</b>	<b>Water District #2</b>	<b>Water District #3</b>	<b>Water District #4A</b>	<b>Water District #4B</b>	<b>Water District #5</b>
<b>REVENUES:</b>						
Departmental income	\$ 60,189	\$ 27,523	\$ 61,878	\$ 49,530	\$ 54,840	\$ 5,986
Sale of property and comp. for loss	-	-	423	-	-	-
Miscellaneous	106	-	848	2,949	-	-
<b>TOTAL REVENUES</b>	<b>60,295</b>	<b>27,523</b>	<b>63,149</b>	<b>52,479</b>	<b>54,840</b>	<b>5,986</b>
<b>EXPENDITURES:</b>						
Home and community services	58,496	13,294	36,050	40,165	32,780	9,892
Employee benefits	1,069	139	572	451	410	75
Debt service - principal	-	3,400	6,300	5,200	5,800	-
Debt service - interest	-	1,951	4,820	5,413	6,966	-
<b>TOTAL EXPENDITURES</b>	<b>59,565</b>	<b>18,784</b>	<b>47,742</b>	<b>51,229</b>	<b>45,956</b>	<b>9,967</b>
Excess (deficiency) of revenues over expenditures	730	8,739	15,407	1,250	8,884	(3,981)
Fund balances - beginning of year	112,824	95,850	56,793	40,552	49,850	51,614
<b>Fund balances - end of year</b>	<b>\$ 113,554</b>	<b>\$ 104,589</b>	<b>\$ 72,200</b>	<b>\$ 41,802</b>	<b>\$ 58,734</b>	<b>\$ 47,633</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, 2021**

	<u>Water District #6</u>	<u>Water District #7</u>	<u>Water District #8</u>	<u>Water District #9</u>	<u>Water District #10</u>	<u>Water District #11</u>	<u>Water District #12</u>	<u>Total</u>
<b>REVENUES:</b>								
Departmental income	\$ 79,155	\$ 55,233	\$ 47,942	\$ 47,626	\$ 30,475	\$ 39,750	\$ 83,383	\$ 643,510
Sale of property and comp. for loss	423	317	995	422	423	-	1,694	4,697
Miscellaneous	34	133	33	-	-	518	76	4,697
<b>TOTAL REVENUES</b>	<u>79,612</u>	<u>55,683</u>	<u>48,970</u>	<u>48,048</u>	<u>30,898</u>	<u>40,268</u>	<u>85,153</u>	<u>652,904</u>
<b>EXPENDITURES:</b>								
Home and community services	35,659	27,952	18,770	17,207	13,178	13,426	19,738	336,607
Employee benefits	369	299	283	288	163	209	208	4,535
Debt service - principal	2,400	6,700	5,600	9,000	7,000	8,000	19,000	78,400
Debt service - interest	3,308	10,771	11,191	8,044	3,864	7,125	16,135	79,588
<b>TOTAL EXPENDITURES</b>	<u>41,736</u>	<u>45,722</u>	<u>35,844</u>	<u>34,539</u>	<u>24,205</u>	<u>28,760</u>	<u>55,081</u>	<u>499,130</u>
Excess (deficiency) of revenues over expenditures	37,876	9,961	13,126	13,509	6,693	11,508	30,072	153,774
Fund balances - beginning of year	128,388	12,351	18,256	40,595	24,122	35,850	32,039	699,084
<b>Fund balances - end of year</b>	<u><u>\$ 166,264</u></u>	<u><u>\$ 22,312</u></u>	<u><u>\$ 31,382</u></u>	<u><u>\$ 54,104</u></u>	<u><u>\$ 30,815</u></u>	<u><u>\$ 47,358</u></u>	<u><u>\$ 62,111</u></u>	<u><u>\$ 852,858</u></u>

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  
Medina, 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 Town of Shelby, New York, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Town of Shelby, New York's basic financial statements, and have issued our report thereon dated January 12, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Shelby, New York's internal control over financial reporting (internal control) as a basis for designing 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 Town of Shelby, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2020-001 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Shelby, New York's response to the findings identified in our audit and described in the accompanying schedule of findings. The Town of Shelby, New York's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. Accordingly, this communication is not suitable for any other purpose.

*Allied CPAs, P.C.*

Amherst, New York  
January 12, 2023

**TOWN OF SHELBY**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**Finding 2020-001 – Bank Reconciliations**

Condition: The Town should implement a formal written 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, as well as identify Town employees responsible for the completion of the reconciliations.

Criteria: The Town is not properly documenting necessary bank reconciliations on several bank accounts in a timely manner. Balances in the accounting records are not being reconciled to balances shown on the bank statements. Cash transactions are being verified for completeness and coded into the accounting system as appropriate.

Cause of Condition: The Town does not currently have a formal written policy related to bank reconciliation preparation that addresses when the account reconciliations should be prepared, 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 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. Cash accounts should be reconciled on a routine basis to ensure that all transactions are being accounted for. We also recommend that a preparer and reviewer sign off on the bank reconciliation after they are prepared.

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