



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF SHELBY
RICHLAND COUNTY**

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CITY OF SHELBY
RICHLAND COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Shelby
Richland County
43 West Main Street
Shelby, Ohio 44875

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelby, Richland County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelby, Richland County, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedule and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 6, 2021

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City of Shelby, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

The City of Shelby's discussion and analysis of the annual financial reports provides a review of the financial performance for the fiscal year ending December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's performance.

Financial Highlights

- The City's total net position decreased \$726,701. Net position of governmental activities increased \$121,797, net position of business-type activities decreased by \$848,498.
- The General Fund reported a fund balance of \$1,649,346.
- Business-type operations reflected an operating loss of \$711,223.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City's financial situation as a whole and to give a detailed view of the City's fiscal condition.

The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Government-wide Financial Statements

The analysis of the City as a whole begins with the Government-wide Financial Statements. These reports provide information that will help the reader to determine if the City of Shelby is financially better off or worse off as a result of the year's activities. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes to net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of capital assets.

City of Shelby, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

In the Government-wide Financial Statements, the City is divided into two kinds of activities.

- **Governmental Activities** - Most of the City's programs and services are reported here including general government, public health and welfare, transportation and street repair, community development, and leisure time activity. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major funds are the General, Sewer, Water and Electric funds.

Governmental Funds - Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and electric operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because

City of Shelby, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

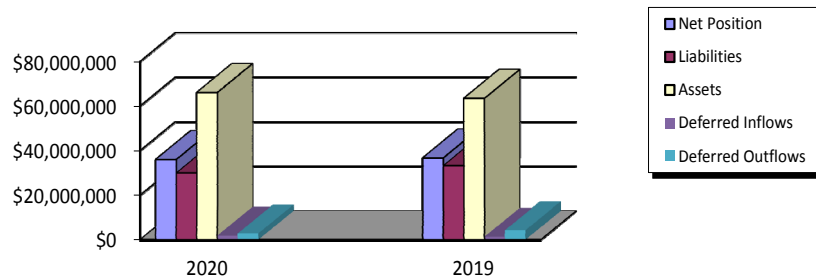
the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City as a Whole

As stated previously, the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2020 compared to 2019.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and Other Assets	\$8,524,938	\$7,363,965	\$11,825,863	\$12,476,029	\$20,350,801	\$19,839,994
Capital Assets	21,650,769	22,385,769	24,026,996	24,726,932	45,677,765	47,112,701
Total Assets	30,175,707	29,749,734	35,852,859	37,202,961	66,028,566	66,952,695
Deferred Outflows of Resources:						
Deferred Charge on Refunding	269,736	0	0	0	269,736	0
OPEB	791,363	674,059	279,894	129,381	1,071,257	803,440
Pension	1,105,623	2,475,139	394,098	999,959	1,499,721	3,475,098
Total Deferred Outflows of Resources	2,166,722	3,149,198	673,992	1,129,340	2,840,714	4,278,538
Liabilities:						
Long-Term Liabilities	14,973,908	16,645,797	13,576,400	14,817,772	28,550,308	31,463,569
Other Liabilities	346,446	363,250	1,087,616	1,413,788	1,434,062	1,777,038
Total Liabilities	15,320,354	17,009,047	14,664,016	16,231,560	29,984,370	33,240,607
Deferred Inflows of Resources:						
Property Taxes	570,308	552,219	0	0	570,308	552,219
OPEB	466,187	268,469	268,688	64,607	734,875	333,076
Pension	1,073,449	278,863	551,757	145,246	1,625,206	424,109
Total Deferred Inflows of Resources	2,109,944	1,099,551	820,445	209,853	2,930,389	1,309,404
Net Position:						
Net Investment In Capital Assets	16,365,932	16,781,250	15,053,266	15,353,288	31,419,198	32,134,538
Restricted	4,758,981	4,350,767	0	0	4,758,981	4,350,767
Unrestricted	(6,212,782)	(6,341,683)	5,989,124	6,537,600	(223,658)	195,917
Total Net Position	\$14,912,131	\$14,790,334	\$21,042,390	\$21,890,888	\$35,954,521	\$36,681,222



Total net position of the City as a whole decreased \$726,701. Net position of the City's governmental activities increased \$121,797, while the net position of the City's business-type activities decreased \$848,498 from 2019. The City had an unrestricted net position balance of (\$223,658) that may be used to meet the government's ongoing obligations to citizens and creditors.

City of Shelby, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Long-Term Liabilities decreased mainly due to a decrease in net pension liability.

Table 2 shows the changes in net position for the year ended December 31, 2020 and revenue and expense comparisons to 2019.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$1,399,495	\$1,487,371	\$14,345,480	\$15,484,743	\$15,744,975	\$16,972,114
Operating Grants and Contributions	2,230,260	1,008,143	0	0	2,230,260	1,008,143
Capital Grants and Contributions	60,285	116,414	0	87,625	60,285	204,039
Total Program Revenues	3,690,040	2,611,928	14,345,480	15,572,368	18,035,520	18,184,296
General Revenues:						
Income Taxes	3,897,304	3,915,036	0	0	3,897,304	3,915,036
Property Taxes	626,626	640,389	0	0	626,626	640,389
Grants and Entitlements	356,307	387,151	0	0	356,307	387,151
Investment Earnings	45,368	122,372	47,063	77,530	92,431	199,902
Other Revenues	987,171	700,896	424,543	102,582	1,411,714	803,478
Total General Revenues	5,912,776	5,765,844	471,606	180,112	6,384,382	5,945,956
Total Revenues	9,602,816	8,377,772	14,817,086	15,752,480	24,419,902	24,130,252
Program Expenses:						
General Government	1,465,066	1,401,010	0	0	1,465,066	1,401,010
Public Safety	4,349,076	2,255,896	0	0	4,349,076	2,255,896
Leisure Time Activities	86,615	77,734	0	0	86,615	77,734
Community Development	534,268	681,305	0	0	534,268	681,305
Transportation and Street Repair	2,141,304	1,251,139	0	0	2,141,304	1,251,139
Public Health and Welfare	600,540	430,800	0	0	600,540	430,800
Other	20,094	11,057	0	0	20,094	11,057
Interest and Other Charges	284,056	216,223	0	0	284,056	216,223
Sewer	0	0	1,925,649	1,487,248	1,925,649	1,487,248
Water	0	0	2,282,895	2,860,659	2,282,895	2,860,659
Electric	0	0	11,457,040	12,210,051	11,457,040	12,210,051
Total Program Expenses	9,481,019	6,325,164	15,665,584	16,557,958	25,146,603	22,883,122
Change in Net Position	121,797	2,052,608	(848,498)	(805,478)	(726,701)	1,247,130
Net Position - Beginning of Year	14,790,334	12,737,726	21,890,888	22,696,366	36,681,222	35,434,092
Net Position - End of Year	\$14,912,131	\$14,790,334	\$21,042,390	\$21,890,888	\$35,954,521	\$36,681,222

Governmental Activities

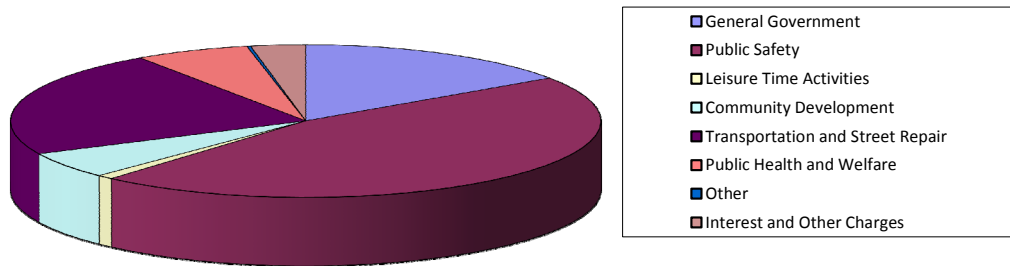
The City of Shelby's income taxes and property taxes are the largest source of revenue. These revenues represent 77% of the City's governmental activities total general revenue.

The increase in operating grants and contributions program revenue from 2019 to 2020 was due to the City receiving Coronavirus grant monies.

**City of Shelby, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)**

Governmental Activities
Program Expenses for 2020

Program Expenses	Percentage
General Government	15.5%
Public Safety	45.9%
Leisure Time Activities	0.9%
Community Development	5.6%
Transportation and Street Repair	22.6%
Public Health and Welfare	6.3%
Other	0.2%
Interest and Other Charges	3.0%
Total	100.0%



General Government includes legislative and administration expenses, including City Council, the Mayor’s office, Civil Service, Finance, Building and Zoning programs, and various non-department charges.

Business-Type Activities

Business-type activities include Sewer, Water and Electric. These programs had operating revenues of \$14,770,023 and operating expenses of \$15,481,246 for fiscal year 2020. Business activities receive no support from tax revenues. The business activities (on the fund level) net position at the end of the year was \$20,963,357, which decreased \$871,205 from 2019.

The City’s Funds

The City has one major governmental fund: the General Fund. Assets of the major governmental fund comprise \$2,628,826 (33%), of the total \$7,963,170 governmental funds’ assets.

General Fund: Fund balance at December 31, 2020 was \$1,649,346.

General Fund Budgeting Highlights

The City’s General Fund budget is formally adopted at the program or budget center level. Financial reports, which compare actual performance with the budget, are prepared monthly and presented to the Council so the Council is able to review the financial status and measure the effectiveness of the budgetary controls.

City of Shelby, Ohio
Management’s Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

As the City completed the year, its General Fund balance reported an actual fund balance of \$1,248,168, on a Non-GAAP Budgetary Basis.

There were no significant variations from the original budget amounts to the final budget amounts.

Capital Assets and Debt Administration

Capital Assets

At year end, the City had \$45,677,765 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2020 balances compared to 2019:

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$406,004	\$406,004	\$245,327	\$245,327	\$651,331	\$651,331
Construction in Progress	76,662	978,473	156,335	122,924	232,997	1,101,397
Buildings and Improvements	12,370,503	12,066,503	24,716,738	24,716,738	37,087,241	36,783,241
Equipment	6,839,635	6,748,335	15,899,273	15,842,273	22,738,908	22,590,608
Infrastructure	22,876,330	22,057,930	19,692,830	19,185,152	42,569,160	41,243,082
Accumulated Depreciation	(20,918,365)	(19,871,476)	(36,683,507)	(35,385,482)	(57,601,872)	(55,256,958)
Total Net Capital Assets	<u>\$21,650,769</u>	<u>\$22,385,769</u>	<u>\$24,026,996</u>	<u>\$24,726,932</u>	<u>\$45,677,765</u>	<u>\$47,112,701</u>

See Note 8 to the basic financial statements for further details on the City’s capital assets.

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City of Shelby, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2020
(Unaudited)

Debt

The City had \$5,554,573 in capital leases, bonds and loans outstanding for Governmental Activities and \$8,973,730 in loans outstanding for Business-Type Activities.

Table 4
Outstanding Debt at Year End

		2020	2019
Governmental Activities:			
Capital Leases:			
2019 Ambulance		\$173,621	\$200,000
Total Capital Leases		<u>173,621</u>	<u>200,000</u>
General Obligation Bonds:			
Park Improvement Bonds	3.00%	0	83,333
2011 Municipal Justice Center Improvements	4.10%	200,000	5,220,000
Premium on Bonds		5,952	101,186
Refunded Municipal Justice Center Improvement	3.50%	<u>5,175,000</u>	<u>0</u>
Total General Obligation Bonds		<u>5,380,952</u>	<u>5,404,519</u>
Total Governmental Activities Debt		<u><u>5,554,573</u></u>	<u><u>5,604,519</u></u>
Business-Type Activities:			
OWDA and OPWC Loans from Direct Borrowings:			
2018 WWTP Improvements	1.00%	8,374,718	8,791,660
OPWC - CP425	0.00%	118,919	128,067
WTP upgrade	2.75%	141,929	420,038
West Main Street Sanitary Improvements	2.41%	<u>338,164</u>	<u>33,879</u>
Total OWDA and OPWC Loans from Direct Borrowings		<u>8,973,730</u>	<u>9,373,644</u>
Total Business-Type Activities Debt		<u>8,973,730</u>	<u>9,373,644</u>
Total Debt		<u><u>\$14,528,303</u></u>	<u><u>\$14,978,163</u></u>

See Notes 10 and 11 to the basic financial statements for further details on the City's long-term debt.

Economic Outlook

Since the 1800's the City has been known for its talented work force, which continues to be innovative, productive and stable. The City's industrial base continues to be strong and competitive, producing and shipping goods and materials around the world. While national trends reflect mergers and consolidations, the City has been aggressive and successful in adapting to these changing times by creating new opportunities.

The City has proved to be forward thinking with an eye to preserving the past in 2020. Working in public/private partnership with the CIC, Shelby Foundation, Richland Community Development Group, The Richland Area Chamber of Commerce, and the Village of Plymouth, they signed an MOU to bring a full time Economic Development Liaison to work on behalf of the City and northern Richland County. Additionally the Historic Preservation Commission sought and received grant funding to retain

City of Shelby, Ohio
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(Unaudited)

Prospectus Architecture to work with the City to create a comprehensive historic preservation plan that will serve the historic downtown district as it is redeveloped. Additionally, again in a public/private partnership, Edge was retained to complete a Downtown corridor redevelopment plan that will likely be presented at the same time as the historic preservation plan will be completed. These strong moves will set the stage for new development on the Main St corridor. The City will continue to look for ways to partner with the private sector to move economic development forward.

The City continues to market properties and vacant buildings to site selectors through Jobs Ohio and follows up on all leads that fit the RFI. Technology Parkway remains a strong opportunity for business relocation or expansion opportunities. It now boasts its first tenant, a local manufacturer that has grown his business right here in Shelby and serves a statewide market. Workforce remains strong and North Central State College Center for Advanced Learning located in the Kehoe Center continues to be a great community partner in adapting programming to fit industry needs in addition to offering a 4 year engineering degree. This 163,000 square foot state of the art facility houses a nationally recognized Integrated Systems Technology laboratory and the regional Advanced Manufacturing Tool & Die Center, as well as an EnterpriseOhio Network's Skillsmax Center. Having this higher education entity within our city limits as well as Pioneer Joint Vocational School help insure we will have a strong and skilled workforce into the future.

Shelby is well positioned to continue to serve the taxpayers providing infrastructure and planning for future growth while preserving the history that makes Shelby unique.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Crum, Finance Director, 43 W. Main Street, Shelby, Ohio, 44875.

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City of Shelby, Ohio
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$5,416,689	\$8,773,179	\$14,189,868
Cash and Cash Equivalents with Fiscal Agent	640,801	0	640,801
Receivables (Net):			
Taxes	1,861,451	0	1,861,451
Accounts	63,543	1,741,792	1,805,335
Interest	0	579	579
Intergovernmental	430,021	0	430,021
Special Assessments	1,225	3,203	4,428
Internal Balances	(79,033)	79,033	0
Inventory	123,192	1,126,030	1,249,222
Prepaid Items	67,049	102,047	169,096
Nondepreciable Capital Assets	482,666	401,662	884,328
Depreciable Capital Assets, Net	21,168,103	23,625,334	44,793,437
Total Assets	30,175,707	35,852,859	66,028,566
Deferred Outflows of Resources:			
Deferred Charge on Refunding	269,736	0	269,736
Pension	1,105,623	394,098	1,499,721
OPEB	791,363	279,894	1,071,257
Total Deferred Outflows of Resources	2,166,722	673,992	2,840,714
Liabilities:			
Accounts Payable	61,784	770,157	831,941
Accrued Wages and Benefits	175,861	97,632	273,493
Contracts Payable	3,737	0	3,737
Accrued Interest Payable	10,371	8,262	18,633
Claims Payable	94,693	0	94,693
Deposits Held and Due to Others	0	210,962	210,962
Payable to Joint Venture	0	603	603
Long-Term Liabilities:			
Due Within One Year	383,564	740,600	1,124,164
Due In More Than One Year			
Net Pension Liability	6,985,744	2,431,766	9,417,510
Net OPEB Liability	1,846,575	1,736,492	3,583,067
Other Amounts	5,758,025	8,667,542	14,425,567
Total Liabilities	15,320,354	14,664,016	29,984,370
Deferred Inflows of Resources:			
Property Taxes	570,308	0	570,308
Pension	1,073,449	551,757	1,625,206
OPEB	466,187	268,688	734,875
Total Deferred Inflows of Resources	2,109,944	820,445	2,930,389
Net Position:			
Net Investment in Capital Assets	16,365,932	15,053,266	31,419,198
Restricted for:			
Debt Service	540,635	0	540,635
Capital Projects	2,518,677	0	2,518,677
Street Maintenance, Construction and Repair	497,052	0	497,052
Community Development Projects	174,677	0	174,677
Mini Park Trust Expendable	26,366	0	26,366
Human Services Programs	548,104	0	548,104
Grants	67,733	0	67,733
Other Purposes	385,737	0	385,737
Unrestricted	(6,212,782)	5,989,124	(223,658)
Total Net Position	\$14,912,131	\$21,042,390	\$35,954,521

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$1,465,066	\$1,128,152	\$271,337	\$0
Public Safety	4,349,076	184,123	273,441	55,032
Leisure Time Activities	86,615	11,918	7,804	0
Community Development	534,268	34,618	397,475	0
Transportation and Street Repair	2,141,304	0	758,891	5,253
Public Health and Welfare	600,540	40,684	521,312	0
Other	20,094	0	0	0
Interest and Other Charges	284,056	0	0	0
Total Governmental Activities	9,481,019	1,399,495	2,230,260	60,285
Business-Type Activities:				
Sewer	1,925,649	1,864,495	0	0
Water	2,282,895	2,317,284	0	0
Electric	11,457,040	10,163,701	0	0
Total Business-Type Activities	15,665,584	14,345,480	0	0
Totals	\$25,146,603	\$15,744,975	\$2,230,260	\$60,285

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Special Revenue Purposes
Grants and Entitlements, Not Restricted
Investment Earnings
Other Taxes: Excise Taxes
Other Revenues

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$65,577)	\$0	(\$65,577)
(3,836,480)	0	(3,836,480)
(66,893)	0	(66,893)
(102,175)	0	(102,175)
(1,377,160)	0	(1,377,160)
(38,544)	0	(38,544)
(20,094)	0	(20,094)
(284,056)	0	(284,056)
(5,790,979)	0	(5,790,979)
0	(61,154)	(61,154)
0	34,389	34,389
0	(1,293,339)	(1,293,339)
0	(1,320,104)	(1,320,104)
(5,790,979)	(1,320,104)	(7,111,083)
3,897,304	0	3,897,304
219,213	0	219,213
407,413	0	407,413
356,307	0	356,307
45,368	47,063	92,431
362,537	0	362,537
624,634	424,543	1,049,177
5,912,776	471,606	6,384,382
121,797	(848,498)	(726,701)
14,790,334	21,890,888	36,681,222
<u>\$14,912,131</u>	<u>\$21,042,390</u>	<u>\$35,954,521</u>

City of Shelby, Ohio
Balance Sheet
Governmental Funds
December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,382,841	\$4,033,848	\$5,416,689
Receivables (Net):			
Taxes	992,149	869,302	1,861,451
Accounts	60,478	3,065	63,543
Intergovernmental	116,935	313,086	430,021
Special Assessments	0	1,225	1,225
Inventory	33,028	90,164	123,192
Prepaid Items	43,395	23,654	67,049
Total Assets	<u>2,628,826</u>	<u>5,334,344</u>	<u>7,963,170</u>
Liabilities:			
Accounts Payable	13,206	48,578	61,784
Accrued Wages and Benefits	158,002	17,859	175,861
Contracts Payable	0	3,737	3,737
Total Liabilities	<u>171,208</u>	<u>70,174</u>	<u>241,382</u>
Deferred Inflows of Resources:			
Property Taxes	203,585	414,643	618,228
Income Taxes	527,989	301,531	829,520
Grants and Other Taxes	76,698	207,857	284,555
Special Assessments	0	1,225	1,225
Total Deferred Inflows of Resources	<u>808,272</u>	<u>925,256</u>	<u>1,733,528</u>
Fund Balances:			
Nonspendable	79,279	133,818	213,097
Restricted	0	4,156,750	4,156,750
Assigned	942,897	48,346	991,243
Unassigned	627,170	0	627,170
Total Fund Balances	<u>1,649,346</u>	<u>4,338,914</u>	<u>5,988,260</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$2,628,826</u>	<u>\$5,334,344</u>	<u>\$7,963,170</u>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
 Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
 December 31, 2020

Total Governmental Fund Balances \$5,988,260

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 21,650,769

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Income Taxes	829,520	
Delinquent Property Taxes	47,920	
Intergovernmental	284,555	
Other Receivables	1,225	
		1,163,220

An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Internal Service Net Position	546,108	
Allocation to Business-Type Activities	(79,033)	
		467,075

In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.

(10,371)

Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.

Compensated Absences (587,016)

Deferred outflow of resources associated with long-term liabilities are not reported in the funds.

269,736

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,105,623	
Deferred inflows of resources related to pensions	(1,073,449)	
Deferred outflows of resources related to OPEB	791,363	
Deferred inflows of resources related to OPEB	(466,187)	
		357,350

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net Pension Liability	(6,985,744)	
Net OPEB Liability	(1,846,575)	
Bonds and Loans Payable	(5,554,573)	
		(14,386,892)

Net Position of Governmental Activities \$14,912,131

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$580,995	\$410,123	\$991,118
Income Taxes	2,557,224	1,299,821	3,857,045
Charges for Services	998,300	161,477	1,159,777
Investment Earnings	44,022	1,346	45,368
Intergovernmental	356,092	2,279,988	2,636,080
Fines, Licenses & Permits	157,718	83,671	241,389
Other Revenues	417,422	207,212	624,634
Total Revenues	5,111,773	4,443,638	9,555,411
Expenditures:			
Current:			
General Government	1,358,271	269,613	1,627,884
Public Safety	2,853,849	684,728	3,538,577
Leisure Time Activities	0	59,844	59,844
Community Development	39,065	328,342	367,407
Transportation and Street Repair	24,682	714,510	739,192
Public Health and Welfare	0	594,496	594,496
Other	0	20,094	20,094
Capital Outlay	0	1,121,427	1,121,427
Debt Service:			
Principal	0	384,712	384,712
Interest and Other Charges	0	229,014	229,014
Bond Issuance Costs	0	143,406	143,406
Total Expenditures	4,275,867	4,550,186	8,826,053
Excess of Revenues Over (Under) Expenditures	835,906	(106,548)	729,358
Other Financing Sources (Uses):			
Sale of Refunding Bonds	0	5,260,000	5,260,000
Payments to Refunded Bond Escrow Agent	0	(5,116,594)	(5,116,594)
Transfers In	0	415,000	415,000
Transfers (Out)	(415,000)	0	(415,000)
Total Other Financing Sources (Uses)	(415,000)	558,406	143,406
Net Change in Fund Balance	420,906	451,858	872,764
Fund Balance - Beginning of Year	1,229,223	3,921,664	5,150,887
Change in Reserve for Inventory	(783)	(34,608)	(35,391)
Fund Balance - End of Year	\$1,649,346	\$4,338,914	\$5,988,260

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2020

Net Change in Fund Balance - Total Governmental Funds \$872,764

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	311,889	
Depreciation Expense	<u>(1,046,889)</u>	(735,000)

Governmental funds report pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.

Pension Contributions	535,411	
Pension Expense	(905,729)	
OPEB Contributions	9,161	
OPEB Expense	<u>(222,511)</u>	(583,668)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	40,259	
Delinquent Property Taxes	(1,955)	
Intergovernmental	10,772	
Other	<u>(1,671)</u>	47,405

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Deferred Amount on Refunding	286,594	
Refunding Bonds	(5,260,000)	
Bonds Refunded	<u>4,919,282</u>	(54,124)

Repayment of bond and loans principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 384,712

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 9,988

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(38,905)	
Amortization of Bond Premium	5,952	
Amortization of Deferred Charge on Refunding	(16,858)	
Change in Inventory	<u>(35,391)</u>	(85,202)

City of Shelby, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2020

The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

Change in Net Position - Internal Service Funds	287,629	
Change in portion of Internal Service Fund Net Position allocated to Business-Type Activities	<u>(22,707)</u>	<u>264,922</u>
Change in Net Position of Governmental Activities		<u><u>\$121,797</u></u>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities-Enterprise Funds				Governmental Activities- Internal Service Fund
	Sewer	Water	Electric	Total Business-Type Activities	
Current Assets:					
Equity in Pooled Cash and Investments	\$2,091,693	\$645,988	\$6,035,498	\$8,773,179	\$0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	640,801
Receivables (Net):					
Accounts	235,776	261,269	1,244,747	1,741,792	0
Interest	0	0	579	579	0
Special Assessments	3,203	0	0	3,203	0
Inventory	143,707	394,334	587,989	1,126,030	0
Prepaid Items	27,125	20,175	54,747	102,047	0
Total Current Assets	2,501,504	1,321,766	7,923,560	11,746,830	640,801
Noncurrent Assets:					
Capital Assets:					
Nondepreciable Capital Assets	105,809	197,532	98,321	401,662	0
Depreciable Capital Assets, Net	12,358,464	7,002,569	4,264,301	23,625,334	0
Total Noncurrent Assets	12,464,273	7,200,101	4,362,622	24,026,996	0
Total Assets	14,965,777	8,521,867	12,286,182	35,773,826	640,801
Deferred Outflows of Resources:					
Pension	109,248	136,797	148,053	394,098	0
OPEB	77,589	97,155	105,150	279,894	0
Total Deferred Outflows of Resources	186,837	233,952	253,203	673,992	0
Liabilities:					
Current Liabilities:					
Accounts Payable	18,632	21,273	730,252	770,157	0
Accrued Wages and Benefits	26,728	36,603	34,301	97,632	0
Compensated Absences	10,160	22,494	69,611	102,265	0
Accrued Interest Payable	4,385	3,877	0	8,262	0
Claims Payable	0	0	0	0	94,693
Deposits Held and Due to Others	0	0	210,962	210,962	0
Payable to Joint Venture	0	0	603	603	0
Long-Term Liabilities Due Within One Year	478,111	160,224	0	638,335	0
Total Current Liabilities	538,016	244,471	1,045,729	1,828,216	94,693
Long-Term Liabilities:					
Compensated Absences	51,673	62,505	217,969	332,147	0
Bonds, Notes & Loans Payable	8,234,771	100,624	0	8,335,395	0
Net Pension Liability	674,108	844,101	913,557	2,431,766	0
Net OPEB Liability	481,372	602,761	652,359	1,736,492	0
Total Noncurrent Liabilities	9,441,924	1,609,991	1,783,885	12,835,800	0
Total Liabilities	9,979,940	1,854,462	2,829,614	14,664,016	94,693
Deferred Inflows of Resources:					
Pension	152,952	191,523	207,282	551,757	0
OPEB	74,483	93,265	100,940	268,688	0
Total Deferred Inflows of Resources	227,435	284,788	308,222	820,445	0
Net Position:					
Net Investment in Capital Assets	3,751,391	6,939,253	4,362,622	15,053,266	0
Unrestricted	1,193,848	(322,684)	5,038,927	5,910,091	546,108
Total Net Position	\$4,945,239	\$6,616,569	\$9,401,549	20,963,357	\$546,108
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities				79,033	
Net Position of Business-Type Activities				\$21,042,390	

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2020

	Business-Type Activities-Enterprise Funds				Governmental
	Sewer	Water	Electric	Total Business-Type Activities	Activities-Internal Service Fund
Operating Revenues:					
Charges for Services	\$1,864,495	\$2,317,284	\$10,163,701	\$14,345,480	\$1,643,247
Other Revenues	49,993	110,274	264,276	424,543	0
Total Operating Revenues	<u>1,914,488</u>	<u>2,427,558</u>	<u>10,427,977</u>	<u>14,770,023</u>	<u>1,643,247</u>
Operating Expenses:					
Personal Services	898,984	979,015	1,323,492	3,201,491	0
Contractual Services	279,004	372,006	1,092,359	1,743,369	0
Materials and Supplies	11,687	324,969	8,461,930	8,798,586	0
Depreciation	581,198	422,119	294,708	1,298,025	0
Utilities	162,626	157,136	14,531	334,293	0
Claims	0	0	0	0	1,366,496
Other Expense	6,123	19,897	79,462	105,482	0
Total Operating Expenses	<u>1,939,622</u>	<u>2,275,142</u>	<u>11,266,482</u>	<u>15,481,246</u>	<u>1,366,496</u>
Operating Income (Loss)	<u>(25,134)</u>	<u>152,416</u>	<u>(838,505)</u>	<u>(711,223)</u>	<u>276,751</u>
Non-Operating Revenues (Expenses):					
Investment Earnings	0	0	47,063	47,063	10,878
Interest (Expense)	(8,734)	(7,753)	0	(16,487)	0
(Loss) in Investment in Joint Venture	0	0	(190,558)	(190,558)	0
Total Non-Operating Revenues (Expenses)	<u>(8,734)</u>	<u>(7,753)</u>	<u>(143,495)</u>	<u>(159,982)</u>	<u>10,878</u>
Change in Net Position	<u>(33,868)</u>	<u>144,663</u>	<u>(982,000)</u>	<u>(871,205)</u>	<u>287,629</u>
Net Position - Beginning of Year	<u>4,979,107</u>	<u>6,471,906</u>	<u>10,383,549</u>	<u>21,834,562</u>	<u>258,479</u>
Net Position - End of Year	<u>\$4,945,239</u>	<u>\$6,616,569</u>	<u>\$9,401,549</u>	<u>20,963,357</u>	<u>\$546,108</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities				<u>22,707</u>	
Change in Net Position - Total Business-Type Activities				<u>(\$848,498)</u>	

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2020

	Business-Type Activities -Enterprise Funds				Governmental
	Sewer	Water	Electric	Total Business-Type Activities	Activities- Internal Service Fund
Cash Flows from Operating Activities:					
Cash Received from Customers	\$1,927,453	\$2,449,354	\$10,654,482	\$15,031,289	\$1,643,247
Cash Payments to Employees	(857,186)	(997,339)	(1,154,696)	(3,009,221)	0
Cash Payments to Suppliers	(589,453)	(1,005,277)	(9,946,990)	(11,541,720)	0
Cash Payments for Claims	0	0	0	0	(1,346,936)
Other Cash Payments	(6,123)	(19,897)	(79,462)	(105,482)	0
Net Cash Provided (Used) by Operating Activities	474,691	426,841	(526,666)	374,866	296,311
Cash Flows from Capital and Related Financing Activities:					
Payments for Capital Acquisitions	(490,563)	(59,439)	(48,087)	(598,089)	0
Debt Proceeds	332,760	0	0	332,760	0
Debt Principal Payments	(445,417)	(287,257)	0	(732,674)	0
Debt Interest Payments	(8,846)	(9,652)	0	(18,498)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(612,066)	(356,348)	(48,087)	(1,016,501)	0
Cash Flows from Investing Activities:					
Earnings on Investments	0	0	46,484	46,484	10,878
Net Cash Provided (Used) by Cash Flows from Investing Activities	0	0	46,484	46,484	10,878
Net Increase (Decrease) in Cash and Cash Equivalents	(137,375)	70,493	(528,269)	(595,151)	307,189
Cash and Cash Equivalents - Beginning of Year	2,229,068	575,495	6,563,767	9,368,330	333,612
Cash and Cash Equivalents - End of Year	2,091,693	645,988	6,035,498	8,773,179	640,801
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	(25,134)	152,416	(838,505)	(711,223)	276,751
Adjustments:					
Depreciation	581,198	422,119	294,708	1,298,025	0
Changes in Assets & Liabilities:					
(Increase) Decrease in Receivables	12,965	21,796	15,543	50,304	0
(Increase) Decrease in Inventory	(41,707)	(120,967)	(24,362)	(187,036)	0
(Increase) Decrease in Prepaid Items	(2,686)	21,742	6,022	25,078	0
(Increase) Decrease in Deferred Outflows of Resources	129,890	176,044	149,414	455,348	0
Increase (Decrease) in Deposits Held and Due to Others	0	0	210,962	210,962	0
Increase (Decrease) in Retainage Payable	(4,438)	0	0	(4,438)	0
Increase (Decrease) in Payables	(87,305)	(51,941)	(359,830)	(499,076)	19,560
Increase (Decrease) in Accrued Liabilities	465	(21,230)	15,748	(5,017)	0
Increase (Decrease) in Deferred Inflows of Resources	168,581	208,603	233,408	610,592	0
Increase (Decrease) in Net Pension Liability	(275,828)	(385,571)	(293,982)	(955,381)	0
Increase (Decrease) in Net OPEB Liability	18,690	3,830	64,208	86,728	0
Net Cash Provided (Used) by Operating Activities	\$474,691	\$426,841	(\$526,666)	\$374,866	\$296,311

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Private Purpose Trust	Custodial Fund
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$187,352	\$0
Total Assets	<u>187,352</u>	<u>0</u>
Liabilities:		
Accounts Payable	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
Net Position:		
Held in Trust	<u>187,352</u>	<u>0</u>
Total Net Position	<u><u>\$187,352</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended December 31, 2020

	Private Purpose Trust	Custodial Fund
	<u> </u>	<u> </u>
Additions:		
Investment Earnings	\$1,097	\$0
Municipal Court Receipts	0	245,071
Other	532	0
	<u> </u>	<u> </u>
Total Additions	1,629	245,071
	<u> </u>	<u> </u>
Deductions:		
General Government	1,118	0
Municipal Court Disbursements	0	245,107
	<u> </u>	<u> </u>
Total Deductions	1,118	245,107
	<u> </u>	<u> </u>
Change in Net Position	511	(36)
Net Position - Beginning of Year, Restated	<u>186,841</u>	<u>36</u>
Net Position - End of Year	<u>\$187,352</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 1 - Description of the City

The City of Shelby (the "City") is a home rule municipal corporation incorporated as a City in 1921 under the laws of the State of Ohio. The City operates under its own charter and is governed by a mayor-council form of government, which was adopted on August 9, 1921.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes. As chief conservator of the peace, the Mayor oversees the enforcement of all laws and ordinances. The Mayor also executes all contracts, conveyances and evidences of indebtedness of the City.

Legislative authority is vested in a five member Council with four members elected from wards and the vice-president of Council elected at large. Members of Council are elected to two year terms. Council enacts ordinances and resolutions relating to tax levies, appropriates and borrows money and authorizes bids for materials and services and other municipal purposes.

The Finance Director, elected by the voters for a four-year term is the chief accountant of the municipal government and is responsible for all accounting functions and responsibilities per the charter of the City. The Finance Director is custodian of all public funds collected by the City and invests and disburses those funds. All contracts and agreements or obligations receiving or disbursing City moneys are all certified by the Finance Director before being entered into.

The Law Director, a practicing attorney-at-law is elected by the voters for a four-year term and is the chief legal representative and adviser for the City. The Law Director prepares all contracts, bonds, and other legal instruments as well as endorses each with his approval. The Law Director also acts as the prosecuting attorney for the City's municipal court system.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

Reporting Entity

For financial reporting purposes, the City's basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units, but is a member of two insurance purchasing pools, which are described in Note 12.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, sewer, water and electric.

The following organization is described due to its relationship with the City:

Joint Venture

The City of Shelby is a Non-Financing Participant and an Owner Participant with an ownership percentage of 1.89% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2020, the City's outstanding debt was \$0. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was a negative \$602 at December 31, 2020. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2020 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

Basis of Presentation - Fund Accounting

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by fund type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, and deferred outflows of resources and liabilities, and deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds -Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer Fund -This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Electric Fund - This fund accounts for the operations providing electric services to the residents and commercial users located within the City.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Additionally, the City reports the following fund types:

Private Purpose Trust Fund - This fund is used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has one private purpose trust fund. The private purpose trust fund is used for the maintenance and upkeep of the Sutter Mausoleum and to provide an assembly hall for meetings at the Sutter Roush Room

Custodial Fund - This fund is used to account for the collection and disbursement of monies by the City on behalf of other individuals, organizations or other governmental entities. The following is the City's custodial fiduciary fund, the Municipal Court Fund. The Municipal Court Fund accounts for activity relating to the City's Municipal Court.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), interest, grants, and special assessments.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources including a deferred charge on refunding, pension and OPEB on the government-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include income and property taxes, grants and other taxes, special assessments, OPEB and pension. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance year 2021 operations. These

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and other taxes and special assessments have been recorded as deferred inflows on the governmental fund financial statements. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide state of net position. (See Notes 13 and 14)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the department level, and then personnel and other within each fund. Budgetary modifications may only be made by resolution of the City Council at the legal level of budgetary control.

Tax Budget - During the first Council meeting in July, the Finance Director presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary schedule reflect the amounts in the original and final amended official certificate of estimated resources issued during 2020.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

ordinance fixes spending authority at the item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations at the legal level of budgetary control may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are included in the following year appropriations.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2020, interest revenue credited to the general fund amounted to \$44,022 and \$1,346 to other governmental funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. The City maintains segregated depository accounts for municipal court deposits.

The City is part of the Ohio Municipal League (OML) Joint Self-Insurance Pool. The money held by the fiscal agent is presented as "cash and cash equivalents with fiscal agent" on the basic financial statements since it is held in a pool made up of numerous participants. The City's relationship with OML is described in Note 12.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Inventories of Materials and Supplies

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the governmental fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance, which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory consists of expendable supplies held for consumption.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

reported in the governmental activities column of the government-wide statement of net position, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets should be reported at acquisition value rather than fair value. The City maintains a capitalization threshold of \$1,000. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, electric distribution systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	3 - 50 years	3 - 50 years
Equipment	2 - 30 years	2 - 30 years
Infrastructure	5 - 65 years	5 - 65 years

Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination (severance) payments and by those employees for whom it is probable they will become eligible to receive termination (severance) benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the governmental funds; however, they are reported in the government-wide financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

Pensions/Other Postemployment Benefits (OPEB)

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Interfund Activity

Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "internal balances".

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. As of December 31, 2020, the City had \$0 in restricted cash.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (prepaids) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the City Council.

Assigned – resources that are intended to be used for specific purposes as approved through the City's formal purchasing procedure by the Finance Director.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Contributed Capital

Contributions of capital arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. Capital contributions are reported as a program revenue in the statement of activities.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Net Position

Net position represents the difference between assets, and deferred outflows of resources and liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consist primarily of net position restricted for income tax operations, City administrative operations and trust fund resources. Of the City's \$4,758,981 in restricted net position, none was restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Bond Premium and Discount

Bond premiums are deferred and accrued over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and electric enterprise funds and charges for services to other departments for the self-insurance internal service fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Note 3 - Equity in Pooled Cash and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Cash with Fiscal Agent

The City is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at December 31, 2020 was \$640,801. This amount is not included in the City's depository balance below.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2020, \$9,619,971 of the City's bank balance of \$15,006,163 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

Investments

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of December 31, 2020:

Investment Type	Fair Value Measurements Using			Weighted Average Maturity (Years)
	Fair Value	Quoted Prices in		
		Active Markets for Identical Assets	Significant Other Observable Inputs	
	Level 1	Level 2		
Negotiable Certificate of Deposits	\$750,941		\$750,941	0.07
U.S. Treasury Bills	499,615	\$499,615		0.84
Municipal Bonds	185,399		185,399	1.16
	<u>\$1,435,955</u>	<u>\$499,615</u>	<u>\$936,340</u>	
Portfolio Weighted Average Maturity				0.48

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2020, in which, the U.S. Agencies are valued using a matrix pricing model (Level 2 inputs).

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Interest Rate Risk - In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years, unless matched to a specified obligation or debt of the City.

Credit Risk – It is the City’s policy to limit its investments that are obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City’s investments in Municipal Bonds were rated between Aaa, and Aa3, by Moody’s Investors service and between AAA, and A+ by Standard and Poor’s and Fitch ratings. U.S. Treasury Bills and Negotiable Certificates of Deposits were not rated.

Concentration of Credit Risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 52.3% in Negotiable Certificates of Deposit, 34.8% in U.S. Treasury Bills, and 12.9% in Municipal Bonds.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City’s securities are either insured and registered in the name of the City, or at least registered in the name of the City.

Note 4 - Interfund Transactions

Interfund transfers for the year ended December 31, 2020, consisted of the following, as reported on the fund statements:

	Transfers	
	In	Out
General Fund	\$0	\$415,000
Other Governmental Funds	415,000	0
Total All Funds	<u>\$415,000</u>	<u>\$415,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide statements.

Note 5 - Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The assessed values of real and public utility personal property upon which current year property tax receipts were based are as follows:

Real Property	\$139,072,340
Public Utility	<u>2,886,090</u>
Total Valuation	<u>\$141,958,430</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The City receives property taxes from Richland County. The County Treasurer collects property taxes on behalf of all taxing districts in the counties. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2020, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2020 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On an accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is a deferred inflow.

Note 6 - Local Income Tax

The City levies a municipal income tax of 1.50% on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 0.75% for general use financing of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations are required to pay their estimated tax quarterly and file a declaration annually. Income taxes collected are used for general fund purposes (1%), police and court facility construction (.3%), and street and sidewalk improvements and repairs (.2%) as approved by the voters.

Note 7 - Receivables

Receivables at year end consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts receivable.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Note 8 – Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$406,004	\$0	\$0	\$406,004
Construction in Progress	978,473	220,589	1,122,400	76,662
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	12,066,503	304,000	0	12,370,503
Equipment	6,748,335	91,300	0	6,839,635
Infrastructure	22,057,930	818,400	0	22,876,330
Totals at Historical Cost	<u>\$42,257,245</u>	<u>\$1,434,289</u>	<u>\$1,122,400</u>	<u>\$42,569,134</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$2,619,540	\$312,380	\$0	\$2,931,920
Equipment	5,258,756	257,962	0	5,516,718
Infrastructure	11,993,180	476,547	0	12,469,727
Total Accumulated Depreciation	<u>\$19,871,476</u>	<u>\$1,046,889</u>	<u>\$0</u>	<u>\$20,918,365</u>
Governmental Activities Capital Assets, Net	<u>\$22,385,769</u>	<u>\$387,400</u>	<u>\$1,122,400</u>	<u>\$21,650,769</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General Government	\$43,402
Public Safety	147,027
Leisure Time Activities	12,942
Community Development	92,717
Public Health and Welfare	2,811
Transportation and Street Repair	747,990
Total Depreciation Expense	<u>\$1,046,889</u>

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City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Business-Type Activities	Beginning			Ending
<i>Capital Assets, not being depreciated:</i>	Balance	Additions	Deletions	Balance
Land	\$245,327	\$0	\$0	\$245,327
Construction in Progress	122,924	545,527	512,116	156,335
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	24,716,738	0	0	24,716,738
Equipment	15,842,273	57,000	0	15,899,273
Infrastructure	19,185,152	507,678	0	19,692,830
Totals at Historical Cost	<u>60,112,414</u>	<u>1,110,205</u>	<u>512,116</u>	<u>60,710,503</u>
Less Accumulated Depreciation:				
Buildings and Improvements	9,526,780	613,751	0	10,140,531
Equipment	13,728,492	318,865	0	14,047,357
Infrastructure	12,130,210	365,409	0	12,495,619
Total Accumulated Depreciation	<u>35,385,482</u>	<u>1,298,025</u>	<u>0</u>	<u>36,683,507</u>
Business-Type Activities Capital Assets, Net	<u>\$24,726,932</u>	<u>(\$187,820)</u>	<u>\$512,116</u>	<u>\$24,026,996</u>

Note 9 – Compensated Absences

Employees earn vacation and sick leave at different rates which are affected by length of service. Employees may carry over 80 hours vacation for use in the following year. Sick leave accrual is continuous, without limit.

Upon retirement, an employee can be paid for a third of his/her accumulated hours of sick leave up to 720 hours, except for eligible fire department employees, who can be paid for a third of his/her accumulated hours up to 2,160 hours. Upon retirement, termination, or death of the employee, vacation is paid for the total time accumulated for the employee.

Note 10 - Long-Term Obligations

The following activity occurred in the City's long-term obligations during 2020:

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City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
Park Improvement Bond	3.00%	\$83,333	\$0	(\$83,333)	\$0	\$0
Municipal Justice Center Improvements	4.10%	5,220,000	0	(5,020,000)	200,000	200,000
Premium on General Obligations Bonds		101,186	0	(95,234)	5,952	0
Refunding Municipal Justice Center Improvements	2.42%	0	5,260,000	(85,000)	5,175,000	65,000
Total General Obligation Bonds		<u>5,404,519</u>	<u>5,260,000</u>	<u>(5,283,567)</u>	<u>5,380,952</u>	<u>265,000</u>
<u>Capital Leases</u>						
Ambulance Lease		<u>200,000</u>	<u>0</u>	<u>(26,379)</u>	<u>173,621</u>	<u>27,078</u>
Total Capital Leases		<u>200,000</u>	<u>0</u>	<u>(26,379)</u>	<u>173,621</u>	<u>27,078</u>
Net Pension Liability:						
OPERS		1,955,151	0	(506,124)	1,449,027	0
OP&F		<u>6,824,377</u>	<u>0</u>	<u>(1,287,660)</u>	<u>5,536,717</u>	<u>0</u>
Total Net Pension Liability		<u>8,779,528</u>	<u>0</u>	<u>(1,793,784)</u>	<u>6,985,744</u>	<u>0</u>
Net OPEB Liability:						
OPERS		952,287	82,443	0	1,034,730	0
OP&F		<u>761,352</u>	<u>50,493</u>	<u>0</u>	<u>811,845</u>	<u>0</u>
Total Net OPEB Liability		<u>1,713,639</u>	<u>132,936</u>	<u>0</u>	<u>1,846,575</u>	<u>0</u>
Compensated Absences		<u>548,111</u>	<u>109,070</u>	<u>(70,165)</u>	<u>587,016</u>	<u>91,486</u>
Total Governmental Activities		<u>\$16,645,797</u>	<u>\$5,502,006</u>	<u>(\$7,173,895)</u>	<u>\$14,973,908</u>	<u>\$383,564</u>

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-Type Activities						
<u>OWDA and OPWC Loans from Direct Borrowings:</u>						
West Main Street Sanitary Improvements	2.41%	\$33,879	\$304,285	\$0	\$338,164	\$32,248
WWTP Improvements - 2018	1.00%	8,791,660	28,475	(445,417)	8,374,718	445,863
WTP Upgrade	2.75%	420,038	0	(278,109)	141,929	141,929
OPWC	0.00%	128,067	0	(9,148)	118,919	18,295
Total Loans from Direct Borrowings		<u>9,373,644</u>	<u>332,760</u>	<u>(732,674)</u>	<u>8,973,730</u>	<u>638,335</u>
Net Pension Liability:						
OPERS		<u>3,387,147</u>	<u>0</u>	<u>(955,381)</u>	<u>2,431,766</u>	<u>0</u>
Total Net Pension Liability		<u>3,387,147</u>	<u>0</u>	<u>(955,381)</u>	<u>2,431,766</u>	<u>0</u>
Net OPEB Liability:						
OPERS		<u>1,649,764</u>	<u>86,728</u>	<u>0</u>	<u>1,736,492</u>	<u>0</u>
Total Net OPEB Liability		<u>1,649,764</u>	<u>86,728</u>	<u>0</u>	<u>1,736,492</u>	<u>0</u>
Compensated Absences		<u>407,217</u>	<u>112,219</u>	<u>(85,024)</u>	<u>434,412</u>	<u>102,265</u>
Total Business-Type Activities		<u>\$14,817,772</u>	<u>\$531,707</u>	<u>(\$1,773,079)</u>	<u>\$13,576,400</u>	<u>\$740,600</u>

Bond Refunding

On October 13, 2020, the City issued \$5,260,000 in Refunding Bonds with an interest rate between 0.630% and 2.420% which was used to refund \$4,830,000 of the outstanding Municipal Justice Center Improvements – Series 2011 Bonds with an interest rate of 4.10%. The net proceeds of \$5,260,000 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$4,830,000 of the Municipal Justice Center Improvements – Series 2011 Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The City refunded the Municipal Justice Center Improvements – Series 2011 Bonds to reduce its total debt service payments by \$663,030 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$529,149.

General obligation bonds payable

General obligation bonds are bonds for which the full faith and credit of the City are pledged for repayment. In September, 2011, the City issued \$6,385,000 in General Obligation Bonds to finance improvements to the Municipal Justice Center. The bonds were issued at an interest rate of 4.1% and will mature on December 1, 2036. These bonds are being paid from the Police and Court Construction capital projects fund.

In 2019, the City issued \$100,000 in a Park Improvement bond for the purpose of paying part of the cost of the Black Fork Commons Restroom project. The bonds were issued at an interest rate of 3.00% and will mature on June 15, 2022. The bond is being paid from the Park Fund and was fully retired in 2020.

OPWC loans payable

The City has entered into a debt financing arrangement through the Ohio Public Works Commission (OPWC) to fund construction projects. This loan is being paid from the water fund. The OPWC loan is interest free.

The City's outstanding OPWC notes from direct borrowings of \$118,919 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate of 8% per annum until the date of payment, and outstanding amounts become immediately due. Also, the Lender may direct the county treasurer to pay the outstanding amount from portion of the local government fund that would otherwise be appropriated to the City.

OWDA loans payable

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable from water and sewer fund operating revenues. The loan agreements function similar to a line-of-credit agreement. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

In 2019, the City issued an OWDA Loan in the amount of \$33,879 for the West Main Street sanitary improvements. In 2020, the City issued an additional \$304,285 for the project. The loan has an interest rate of 2.41% and will mature July 1, 2030. The full amount of the loan was not disbursed as of year-end and the principal and interest requirements to retire the long-term obligations outstanding will not be included in the table below.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

In 2018, the City issued an OWDA Loan in the amount of \$4,564,860 for water pollution control improvements. The loan has an interest rate of 1.00% and will mature July 1, 2039. In 2019, the City issued an additional \$4,226,800 and in 2020, the City issued another \$28,475 for water pollution control improvements. The full amount of the loan was not dispersed as of year-end and the principal and interest requirements to retire the long-term obligations outstanding will not be included in the table below.

The City's outstanding OWDA Loans from direct borrowings of \$8,854,811 contain a provision that in an event of default, the amount of such default shall bear interest thereafter at the rate equal to the Contract Interest Rate plus three percentage points annum until the date of payment, and outstanding amounts become immediately due.

Compensated absences

Compensated absences will be paid from the fund from which the employee is paid. The City will pay compensated absences from the general fund, sewer fund, water fund, electric fund and the following nonmajor governmental funds: street fund and health fund.

Net Pension and OPEB liabilities

Net pension liability and Net other postemployment benefits (OPEB) liability represents the long-term portion of the accrued liability associated with OPERS and OP&F pension liability. These items will be repaid from the funds from which the employees work to whom the liability is associated with or the General Fund if no such funds are available.

Principal and interest requirements to retire governmental long-term obligations outstanding at December 31, 2020, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities	
	General		OWDA and OPWC Loans	
	Obligation	Bonds	from Direct Borrowing	
	Principal	Interest	Principal	Interest
2021	\$265,000	\$291,734	\$160,224	\$1,951
2022	290,000	88,125	18,296	0
2023	285,000	86,153	18,296	0
2024	295,000	86,873	18,296	0
2025	345,000	81,011	18,296	0
2026-2030	1,620,000	341,713	27,440	0
2031-2035	2,275,000	241,059	0	0
Total	<u>\$5,375,000</u>	<u>\$1,216,668</u>	<u>\$260,848</u>	<u>\$1,951</u>

Note 11 – Capital Leases

In 2019, the City entered into a capital lease for an ambulance. The City's lease obligations meet the criteria of a capital asset and has been recorded on the government-wide statements. The leased assets have been capitalized for the amount of the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments is as follows:

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Fiscal Year Ending December 31,	Long-Term Debt
2021	\$31,679
2022	31,679
2023	31,679
2024	31,680
2025	31,679
2026	31,679
Total Minimum Lease Payments	190,075
Less: Amount Representing Interest	(16,454)
Present Value of Minimum Lease Payments	<u>\$173,621</u>

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the City was part of the Ohio Municipal League (OML) Joint Self-Insurance Pool, an insurance purchasing pool. In addition, the City contracted with other insurance carriers for various types of coverage. The City has transferred the risk of loss to the insurance carriers to the extent of the coverage limits.

A summary of the City's insurance coverage at December 31, 2020, follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>	
EMC Insurance Co.	Property	\$1,000	
	General Liability	1,000	
	Inland Marine	1,000	
	Errors & Omission	1,000	
	Law Enforcement	5,000	
	Excess Liability	1,000	
Shelby Mutual Insurance Company	Public Employee		
	Dishonest bond	1,000	
	Finance	5,000	
EMC Insurance Co.	Automobile	1,000	Comprehensive
		1,000	Collision
EMC Insurance Co.	Steam Boiler	5,000	Water Plant
		1,000	All Other

The City is a participant with several other governmental entities in an insurance purchasing pool to operate the Jefferson Health Plan. The Jefferson Health Plan was formed for the purpose of providing insurance. The City has elected to provide a comprehensive medical benefits package through a self-insured program providing Preferred Provider Organizations (PPO) programs to the employees. The City maintains a self-insured internal service fund to account for the finances of its uninsured risks of loss in this program. A third party administrator, Mutual Health Services, located in Akron, Ohio, reviews all claims for the plan. The total monthly premium paid into the internal service fund for the PPO plan is \$768 for single coverage and \$1,691 for family coverage.

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

The claims liability of \$94,693 reported in the internal service fund at December 31, 2020, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported at the estimated ultimate cost of settling the claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amounts for the years ended December 31, 2020 and 2019 were as follows:

Year	Beginning of Year	Claims	Payments	End of Year
2020	\$75,133	\$1,445,201	(\$1,425,641)	\$94,693
2019	64,519	1,321,605	(1,310,991)	75,133

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amount of insurance coverage from 2019 to 2020.

Note 13 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees may pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State

City of Shelby, Ohio
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legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional plan.

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

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

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City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

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

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

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

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the

City of Shelby, Ohio
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members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

Funding Policy

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2020 Statutory Maximum Contribution Rates			
Employer	14.00%	18.10%	18.10%
Employee (a)	10.00%	(b)	(c)
2020 Actual Contribution Rates			
Employer:			
Pension (d)	14.00%	18.10%	18.10%
Post-employment Health Care Benefits (d)	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Employer	<u>14.00%</u>	<u>18.10%</u>	<u>18.10%</u>
Employee	<u>10.00%</u>	<u>12.00%</u>	<u>13.00%</u>

(a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

(b) This rate is determined by OPERS' Board and has no maximum rate established by ORC.

(c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

(d) These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4% for health care with the remainder going to pension.

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

For 2020, the City's contractually required contribution was \$404,788, of this amount \$38,476 is reported in accrued wages and benefits.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description

City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about

City of Shelby, Ohio
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OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50 percent for each of the first 20 years of service credit, 2.00 percent for each of the next five years of service credit and 1.50 percent for each year of service credit in excess of 25 years. The maximum pension of 72.00 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under the COLA method, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index over the 12 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy

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

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	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2020 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-Employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$384,270 for 2020, of this amount \$42,680 is reported as accrued wages and benefits.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share of the City's defined benefit pension plans:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
	<u>Traditional Plan</u>		
Proportionate Share of the:			
Net Pension Liability	\$3,880,793	\$5,536,717	\$9,417,510
Proportion of the Net Pension Liability:			
Current Measurement Date	0.01963400%	0.08218940%	
Prior Measurement Date	<u>0.01950600%</u>	<u>0.08360500%</u>	
Change in Proportionate Share	<u>0.00012800%</u>	<u>-0.00141560%</u>	
Pension Expense	\$542,961	\$673,406	\$1,216,367

At December 31 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$0	\$209,583	\$209,583
Changes in assumptions	207,279	135,912	343,191
Changes in employer proportionate share of net pension liability	16,864	141,025	157,889
Contributions subsequent to the measurement date	404,788	384,270	789,058
Total Deferred Outflows of Resources	<u>\$628,931</u>	<u>\$870,790</u>	<u>\$1,499,721</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$49,067	\$285,551	\$334,618
Net difference between projected and actual earnings on pension plan investments	774,131	267,468	1,041,599
Changes in employer proportionate share of net pension liability	57,337	191,652	248,989
Total Deferred Inflows of Resources	<u>\$880,535</u>	<u>\$744,671</u>	<u>\$1,625,206</u>

\$789,058 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPF	Total
2021	(\$137,077)	(\$90,203)	(\$227,280)
2022	(243,991)	(21,866)	(265,857)
2023	32,057	135,937	167,994
2024	(307,381)	(250,929)	(558,310)
2025	0	(31,090)	(31,090)
Total	<u>(\$656,392)</u>	<u>(\$258,151)</u>	<u>(\$914,543)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

City of Shelby, Ohio
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	OPERS Traditional Plan
Wage Inflation	3.25%
Future Salary Increases	3.25% to 10.75% (includes wage inflation)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00%, Simple
Post-January 7, 2013 Retirees	1.40%, Simple through 2020, then 2.15%, Simple
Investment Rate of Return	7.20%
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple to 1.4 percent simple through 2020 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major

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asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

Discount Rate

The discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of the net pension liability	\$6,400,684	\$3,880,793	\$1,615,486

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There were no recent significant changes of pension benefit terms, health care plans, investment policies, the size or composition of the population covered by the benefit terms and health care plans impacting the actuarial valuation studies for pension and health care for the measurement date of December 31, 2019.

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part

City of Shelby, Ohio
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of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	3.25% per annum, compounded annually, consisting of Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

City of Shelby, Ohio
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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00 percent, or one percentage point higher, 9.00 percent, than the current rate:

City of Shelby, Ohio
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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability	\$7,673,697	\$5,536,717	\$3,749,345

Changes in Assumptions or Benefit Terms Since the Last Measurement Date, and Changes from the Measurement Date to the Report Date

There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies as of the pension plan for the measurement date.

Note 14 - Defined Benefit Other Postemployment Benefits Plans

See Note 13 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS Comprehensive Annual Financial Report referenced below for additional information.

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

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

Funding Policy

The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

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Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2020, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Health Care Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to

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contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent and 24.00 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$9,161 for 2020.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS Traditional Plan	OPF	Total
Proportionate Share of the: Net OPEB Liability	\$2,771,222	\$811,845	\$3,583,067
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02006300%	0.08218940%	
Prior Measurement Date	<u>0.01995800%</u>	<u>0.08360500%</u>	
Change in Proportionate Share	<u>0.00010500%</u>	<u>-0.00141560%</u>	
OPEB Expense	\$253,450	\$109,356	\$362,806

At December 31 2020, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPERS		Total
	Traditional Plan	OPF	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$74	\$0	\$74
Changes in assumptions	438,654	474,636	913,290
Changes in employer proportionate share of net OPEB liability	7,947	140,785	148,732
Contributions subsequent to the measurement date	0	9,161	9,161
Total Deferred Outflows of Resources	<u>\$446,675</u>	<u>\$624,582</u>	<u>\$1,071,257</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$253,442	\$87,306	\$340,748
Changes in assumptions	0	173,016	173,016
Net difference between projected and actual earnings on OPEB plan investments	141,110	37,358	178,468
Changes in employer proportionate share of net OPEB liability	34,241	8,402	42,643
Total Deferred Inflows of Resources	<u>\$428,793</u>	<u>\$306,082</u>	<u>\$734,875</u>

\$9,161 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	OPERS		
December 31:	Traditional Plan	OPF	Total
2021	\$42,473	\$58,378	\$100,851
2022	35,595	58,378	93,973
2023	112	66,041	66,153
2024	(60,298)	81,122	20,824
2025	0	28,065	28,065
Thereafter	0	17,355	17,355
Total	<u>\$17,882</u>	<u>\$309,339</u>	<u>\$327,221</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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Wage Inflation	3.25%
Projected Salary	3.25% to 10.75% (including wage inflation)
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate:	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate:	
Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. For each

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major asset class that is included in the Health Care’s portfolio’s target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36%	1.53%
Domestic Equities	21%	5.75%
Real Estate Investment Trusts	6%	5.69%
International Equities	23%	7.66%
Other investments	14%	4.90%
Total	100%	4.55%

Discount Rate

A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Proportionate share of the net OPEB liability	\$3,626,588	\$2,771,222	\$2,086,351

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the

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expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	Current Health Care Cost Trend Rate Assumption	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$2,689,445	\$2,771,222	\$2,851,955

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increases based on the lesser of the increase in CPI and 3.00%

Healthy Mortality

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of

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return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	1.00%
Domestic Equity	16.00%	5.40%
Non-US Equity	16.00%	5.80%
Private Markets	8.00%	8.00%
Core Fixed Income*	23.00%	2.70%
High Yield Fixed Income	7.00%	4.70%
Private Credit	5.00%	5.50%
U.S. Inflation Linked Bonds*	17.00%	2.50%
Master Limited Partnerships	8.00%	6.60%
Real Assets	8.00%	7.40%
Private Real Estate	12.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric

** levered 2x*

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2033, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

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	1% Decrease <u>(2.56%)</u>	Current Discount Rate <u>(3.56%)</u>	1% Increase <u>(4.56%)</u>
Proportionate share of the net OPEB liability	\$1,006,635	\$811,845	\$649,988

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Changes between Measurement Date and Report Date

There was a decrease in the discount rate from 4.66 percent at prior measurement date to 3.56 percent at the current measurement date. There are no changes to benefit terms.

Note 15 - Contingencies

Grants

The City receives significant financial assistance from numerous federal and State 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 claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

Contracts

The City has entered into an ongoing contract with both AMP and AEP to purchase power. The city is committed to provide and sell power (electricity) at a marginal profit.

Litigation

The City is currently not involved in litigation for which the City's legal counsel anticipates a loss.

Contingent Liability

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's project share was 5,000 kilowatts (kW) of a total 771,281 kW, giving the City a 0.65 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an

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estimate of their liability. The City's estimated share of the impaired costs at March 31, 2014 was \$870,487. The City received a credit of \$226,124 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired costs balance of \$644,363. On May 31, 2017, the City repaid the full AMPGS net impaired costs liability due.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

The City does have a potential PHFU Liability of \$232,580, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

Note 16 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$33,028	\$90,164	\$123,192
Prepays	43,395	23,654	67,049
Unclaimed funds	2,856	0	2,856
Muni Park Trust	0	20,000	20,000
Total Nonspendable	79,279	133,818	213,097
Restricted for:			
Street	0	200,096	200,096
State Highway	0	25,493	25,493
Street Sales Tax	0	52,432	52,432
Health	0	522,365	522,365
Park	0	112,700	112,700
Rehab Escrow CDBG	0	16,961	16,961
Court Probation	0	39,732	39,732
Law Enforcement Trust	0	15,695	15,695
Court IDAT	0	27,395	27,395
Court Enforcement and Education	0	16,923	16,923
DARE	0	1,847	1,847
Police Computer	0	7,598	7,598
Court IDAM	0	46,523	46,523
Home Program	0	725	725
Police Pension	0	92,239	92,239
Fire Pension	0	127,191	127,191
Shade Tree Trust	0	8,584	8,584
Local Coronavirus Relief	0	67,733	67,733
Debt Service	0	512,846	512,846
Capital Projects	0	2,255,306	2,255,306
Muni Park Trust	0	6,366	6,366
Total Restricted	0	4,156,750	4,156,750
Assigned to:			
Encumbrances	41,372	0	41,372
Budgetary Variance	901,525	0	901,525
Police Equipment	0	48,346	48,346
Total Assigned	942,897	48,346	991,243
Unassigned (Deficit)	627,170	0	627,170
Total Fund Balance	\$1,649,346	\$4,338,914	\$5,988,260

Note 17 – Tax Abatements

As of December 31, 2020, the City provides tax abatements through the Community Reinvestment Area (CRA) and Ohio Enterprise Zone Area (EZA) Program:

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The Ohio Community Reinvestment Area program (established by Ordinance 66-98) which is an economic development tool administered by the City that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Under Ohio Revised Code section 3765 to 3735.70, a city, village or county can petition the Ohio Department of Development to confirm that investment in a particular geographical area. Once the Department has confirmed the investment in the area, the community may offer real estate tax exemptions to taxpayers who are willing to invest in the area. Up to 12 years may be exempt for commercial and industrial remodeling and up to 15 years may be exempt for new construction. State law requires reimbursement agreements with school districts for tax revenue losses for CRA in place after 1994. It is the City's policy to have reimbursement agreements with school districts for any CRA prior to 1994. Payments in lieu of taxes paid by the property owner directly to the school districts as required by the agreement are not reduced from the total amount of taxes abated.

The Ohio Enterprise Zone Areas (established by Ordinance 13-88) are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. EZAs are not part of the traditional zoning program, which limits the use of land, instead they allow local officials to negotiate with businesses to encourage new business investment in the zone. The EZA serves as an additional economic development tool for communities attempting to retain and expand their economic base. The EZA is a contract between the City and the company. The zone's geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the director of the Development Services Agency. The director must then certify the area for it to become an active Enterprise Zone. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins. Businesses interested in pursuing these incentives should contact the local Enterprise Zone Manager.

Tax Abatement Programs	Amount of Taxes Abated
Community Urban Redevelopment	\$703
Community Reinvestment Area	11,248
Enterprise Zone Area	61,969
	\$73,920

The abatements will be terminated if the property is deemed delinquent, behind on payments, or the terms and conditions of the CRA or EZA are not adhered to and no recapture provisions noted.

Note 18 – Implementation of New Accounting Principles and Restatement of Net Position

For fiscal year 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations, GASB No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 84 clarifies the criteria for identifying fiduciary activities, with the focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Activities meeting certain criteria should be reported in a fiduciary fund in the financial statements. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds. This resulted in a restatement of the City's financial statements as noted in the table below.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

GASB Statement No. 90 sets out to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 did not have an effect on the financial statements.

A net position restatement is required in order to implement GASB Statement No. 84. At January 1, 2020 has been restated as follows:

	Custodial Funds
Net Position as previously report	\$0
Adjustments:	
Presentation Changes - GASB 84	36
Restated Net Position January 1, 2020	\$36

City of Shelby, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2020

Other than restating net position for Custodial funds, the City made no restatement for prior periods as the information needed to generate these restatements was not available.

Note 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio has incurred a significant decline in fair value, in 2020, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the City participates and any recovery from emergency funding, either federal or state, cannot be estimated.

Additional funding will be available through the Consolidated Appropriations Act 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During 2020, the City received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Of the \$694,743 received, \$135,000 was sub-granted to other organizations. These amounts are reflected as community development expenditures in the Coronavirus Relief special revenue fund.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.01963400%	0.01950600%	0.02056800%	0.02129100%	0.02143600%	0.02328000%	0.02328000%
City's Proportionate Share of the Net Pension Liability	\$3,880,793	\$5,342,298	\$3,226,720	\$4,834,825	\$3,712,985	\$2,807,828	\$2,744,409
City's Covered-Employee Payroll	\$2,762,536	\$2,634,693	\$2,718,123	\$2,763,883	\$3,099,067	\$2,863,583	\$3,328,000
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	140.48%	202.77%	118.71%	174.93%	119.81%	98.05%	82.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end

See accompanying notes to the required supplementary information

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability - 0561P	0.04111990%	0.04171000%	0.03999600%	0.03908800%	0.04074200%	0.04379640%	0.04379640%
Liability - 0561F	0.04106950%	0.04189500%	0.04156400%	0.04025800%	0.04211700%	0.04418610%	0.04418610%
City's Proportionate Share of the Net Pension Liability	\$5,536,717	\$6,824,377	\$5,005,705	\$5,025,696	\$5,330,378	\$4,557,860	\$4,285,024
City's Covered-Employee Payroll	\$1,943,829	\$2,048,942	\$1,975,663	\$1,906,684	\$1,811,389	\$1,808,453	\$2,118,167
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	284.84%	333.07%	253.37%	263.58%	294.27%	252.03%	202.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Public Employees Retirement System- Traditional Plan
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$404,788	\$386,755	\$368,857	\$353,356	\$331,666	\$371,888	\$343,630
Contributions in Relation to the Contractually Required Contribution	<u>(404,788)</u>	<u>(386,755)</u>	<u>(368,857)</u>	<u>(353,356)</u>	<u>(331,666)</u>	<u>(371,888)</u>	<u>(343,630)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,891,343	\$2,762,536	\$2,634,693	\$2,718,123	\$2,763,883	\$3,099,067	\$2,863,583
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of City Contributions
 for Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$384,270	\$410,731	\$389,299	\$375,376	\$362,270	\$363,908	\$368,201
Contributions in Relation to the Contractually Required Contribution	<u>(384,270)</u>	<u>(410,731)</u>	<u>(389,299)</u>	<u>(375,376)</u>	<u>(362,270)</u>	<u>(363,908)</u>	<u>(368,201)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,813,450	\$1,943,829	\$2,048,942	\$1,975,663	\$1,906,684	\$1,811,389	\$1,808,453
Contributions as a Percentage of Covered-Employee Payroll	21.19%	21.13%	19.00%	19.00%	19.00%	20.09%	20.36%

(1) - Information prior to 2014 is not available

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 Ohio Public Employees Retirement System - Traditional Plan
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02006300%	0.01995800%	0.02081000%	0.02172953%
City's Proportionate Share of the Net OPEB Liability	\$2,771,222	\$2,602,051	\$2,259,813	\$2,194,756
City's Covered-Employee Payroll	\$2,762,536	\$2,634,693	\$2,718,123	\$2,763,883
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	100.31%	98.76%	83.14%	79.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.04%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of the City's Proportionate Share
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability
 Ohio Police and Fire Pension Fund
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability - 0561P	0.04111990%	0.04171000%	0.03999600%	0.03908800%
Liability - 0561F	0.04106950%	0.04189500%	0.04156400%	0.04025800%
City's Proportionate Share of the Net OPEB Liability	\$811,845	\$761,352	\$4,621,075	\$3,766,376
City's Covered-Employee Payroll	\$1,943,829	\$2,048,942	\$1,975,663	\$1,906,684
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	41.77%	37.16%	233.90%	197.54%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	46.57%	14.13%	15.96%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the City's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of City Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Public Employees Retirement System - Traditional Plan
 Last Five Fiscal Years (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0	0
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
City Covered-Employee Payroll	\$2,891,343	\$2,762,536	\$2,634,693	\$2,718,123	\$2,763,883
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
 Required Supplementary Information
 Schedule of City Contributions to
 Postemployment Benefits Other Than Pension (OPEB)
 Ohio Police and Fire Pension Fund
 Last Five Fiscal Years (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution to OPEB	\$9,161	\$9,766	\$9,270	\$31,855	\$61,958
Contributions to OPEB in Relation to the Contractually Required Contribution	(9,161)	(9,766)	(9,270)	(31,855)	(61,958)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,813,450	\$1,943,829	\$2,048,942	\$1,975,663	\$1,906,684
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.51%	0.50%	0.45%	1.61%	3.25%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$601,093	\$601,093	\$589,466	(\$11,627)
Charges for Services	1,017,992	1,017,992	998,300	(19,692)
Investment Earnings	47,281	47,281	46,366	(915)
Intergovernmental	359,167	359,167	352,219	(6,948)
Fines, Licenses & Permits	169,331	169,331	166,056	(3,275)
Other Revenues	415,683	415,683	407,642	(8,041)
Total Revenues	2,610,547	2,610,547	2,560,049	(50,498)
Expenditures:				
Current:				
General Government	1,373,607	1,378,513	1,106,323	272,190
Public Safety	3,631,570	3,644,540	2,924,919	719,621
Community Development	48,503	48,676	39,065	9,611
Transportation and Street Repair	30,700	30,809	24,726	6,083
Total Expenditures	5,084,380	5,102,538	4,095,033	1,007,505
Excess of Revenues Over (Under) Expenditures	(2,473,833)	(2,491,991)	(1,534,984)	957,007
Other Financing Sources (Uses):				
Transfers In	2,313,454	2,313,454	2,268,703	(44,751)
Transfers (Out)	(515,263)	(517,103)	(415,000)	102,103
Total Other Financing Sources (Uses)	1,798,191	1,796,351	1,853,703	57,352
Net Change in Fund Balance	(675,642)	(695,640)	318,719	1,014,359
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	929,449	929,449	929,449	0
Fund Balance End of Year	\$253,807	\$233,809	\$1,248,168	\$1,014,359

See accompanying notes to the required supplementary information.

City of Shelby, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

Note 1 – Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the year.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

City of Shelby, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	\$420,906
Revenue Accruals	(2,551,724)
Expenditure Accruals	234,912
Transfers In	2,268,703
Encumbrances	(54,078)
Budget Basis	<u>\$318,719</u>

Note 2 – Net Pension Liability

Ohio Police and Fire Pension Fund Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

Ohio Public Employees Retirement System Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020-2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

City of Shelby, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

2017-2014: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

Changes in benefit terms:

2020-2014: There were no changes in benefit terms for the period.

Note 3 - Net OPEB Liability

Ohio Police and Fire Pension Fund Changes in Assumptions and Benefit Terms

Changes in assumptions:

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, municipal bond rate changed from 3.71% to 2.75% and health care cost trend rate changed from 10.00% to 10.50%.

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time. The single discount rate changed from 3.85% to 3.96%, municipal bond rate changed from 3.31% to 3.71% and health care cost trend rate changed from 7.50% to 10.00%.

2018: The single discount rate changed from 4.23% to 3.85%.

Changes in benefit terms:

2020-2018: There were no changes in benefit terms for the period.

Ohio Public Employees Retirement System Changes in Assumptions and Benefit Terms

Changes in assumptions:

City of Shelby, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended December 31, 2020

2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

2019: Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%. The single discount rate increased from 3.24% to 4.66% and the municipal bond rate from 3.16% to 4.13%.

2018: The single discount rate changed from 3.79% to 3.24%

Changes in benefit terms:

2020: There were no changes in benefit terms for the period.

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.

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CITY OF SHELBY
RICHLAND COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through the Ohio Development Services Agency</i>				
Home Investment Partnerships Program	14.239	AC-18-2DQ-2	-	194,514
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	AC-18-2DQ-1	-	213,727
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	408,241
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>Passed Through the Ohio Department of Transportation</i>				
<u>Highway Planning and Construction Cluster:</u>				
Highway Planning and Construction	20.205	111240	-	69,346
Highway Planning and Construction	20.205	106258	-	120,442
Total Highway Planning and Construction Cluster			-	189,788
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	189,788
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct Grant</i>				
Bulletproof Vest Partnership Program	16.607	N/A	-	1,488
TOTAL U.S. DEPARTMENT OF JUSTICE			-	1,488
<u>U.S. DEPARTMENT OF TREASURY</u>				
<i>Passed Through the Ohio Office of Budget and Management</i>				
COVID-19 - Coronavirus Relief Fund	21.019	34-6002631	135,000	586,432
TOTAL U.S. DEPARTMENT OF TREASURY			135,000	586,432
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 135,000	\$ 1,185,949

The accompanying notes are an integral part of this schedule.

**CITY OF SHELBY
RICHLAND COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Shelby, Richland County, Ohio, (the City) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement

NOTE C – INDIRECT COST RATE

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

NOTE D - SUBRECIPIENTS

The City passes certain federal awards received from the U.S. Department of Treasury to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals

NOTE E - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) AND HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the City's local program income account as of December 31, 2020 is \$16,959.

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Shelby
Richland County
43 West Main Street
Shelby, Ohio 44875

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shelby, Richland County, Ohio (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 6, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2020-001 and 2020-002 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 6, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Shelby
Richland County
43 West Main Street
Shelby, Ohio 44875

To the City Council:

Report on Compliance for the Major Federal Program

We have audited City of Shelby's, Richland County, Ohio (the City's), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Programs

In our opinion, the City of Shelby, Richland County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

October 6, 2021

**CITY OF SHELBY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #21.019 – Coronavirus Relief Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

CITY OF SHELBY
RICHLAND COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

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

FINDING NUMBER 2020-001

Financial Reporting – Significant Deficiency

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City did not have sufficient internal controls in place to ensure receivables were properly reported and as a result, the following adjustments were made to the financial statements:

- \$113,851 increase in accounts receivable and charges for services revenue in the Sewer Fund.
- \$113,851 decrease in accounts receivable and charges for services revenue in the Electric Fund.

Additionally, one misstatement not requiring adjustment to the financial statements was brought to management's attention.

By not ensuring proper financial statement presentation the City is unable to report accurate financial activity to its constituents.

The City should implement additional procedures to provide assurance over the completeness and accuracy of information recorded in their accounting records and reported within the financial statements. Such procedures may include additional reviews of the financial statements including the notes to the financial statements by a member of management and an analytical comparison of the current year annual report to the prior year annual report for obvious errors or omissions.

Officials' Response: See Corrective Action Plan.

CITY OF SHELBY
RICHLAND COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020
(Continued)

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

FINDING NUMBER 2020-002

**Municipal Court – Monthly Bank Reconciliations
Significant Deficiency**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Municipal Court maintains two bank accounts separate from the City's Treasury through which the collection and disbursement of all moneys for the Municipal Court are made. The Clerk of Courts is responsible for reconciling the Municipal Court accounting ledgers to bank balances on a monthly basis, and management of the City is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations for the Municipal Court civil and criminal bank accounts were not accurately prepared or reviewed each month of 2020. The monthly reconciliations completed for the criminal and civil bank accounts showed unreconciled balances that fluctuated each month, ranging from (\$639) to (\$7,760) for the civil account and from \$3,356 to \$4,124 for the criminal account. Additionally, several reconciling errors were identified during testing of 2020 criminal and civil receipts and disbursements that were not accounted for on the reconciliations prepared by the Clerk of Courts.

Failure to accurately reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Municipal Court should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, management should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response: See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

None

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material Weakness – Financial Statement Presentation (Finding first occurred in fiscal year 2014.)	Not Corrected	Finding is being repeated in the current audit as Finding 2020-001. The City’s financial statements had errors resulting in material audit adjustments. See Officials’ Response to the finding and Corrective Action Plan.
2019-002	Significant Deficiency - Municipal Court Monthly Bank Reconciliations (Finding first occurred in fiscal year 2017.)	Not Corrected	Finding is being repeated in the current audit as Finding 2020-002. Monthly municipal court bank reconciliations were not properly completed during 2020. See Officials’ Response to the finding and Corrective Action Plan.

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CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	The Director of Finance will provide the GAAP Converter with the appropriate method to allocate accounts receivable and will review the GAAP Converter's calculations prior to the issuance of financial reports.	3/31/22	Brian Crum, Director of Finance
2020-002	The court will maintain monthly spreadsheets for reconciliations for both bank accounts, to be reviewed by the Judge upon completion each month. The court will contract with an outside service to find previous errors.	12/31/21	Shannon Small, Clerk of Courts

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF SHELBY

RICHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/30/2021

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This report is a matter of public record and is available online at
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