

Dave Yost • Auditor of State



**CITY OF SHELBY  
RICHLAND COUNTY**

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# Dave Yost • Auditor of State

## 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, 2015, 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 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 17 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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* and schedules of pension liabilities and pension 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 15, 2016

**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

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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, 2015. 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 increased \$960,042. Net position of governmental activities decreased \$291,009, net position of business-type activities increased by \$1,251,051.
- The General Fund reported a fund balance of \$863,450.
- Business-type operations reflected an operating income of \$1,415,697.

**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 liabilities 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 wellbeing. 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, 2015**  
**(Unaudited)**

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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 governmental fund is the General Fund.

**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.



**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

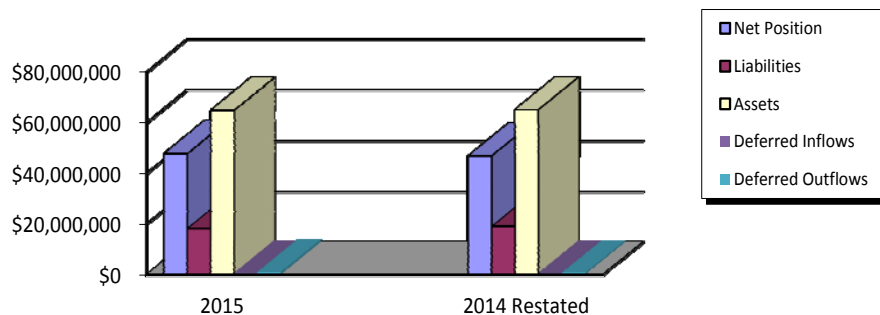
**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type.

**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 2015 compared to 2014.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
<b>Assets:</b>						
Current and Other Assets	\$5,715,066	\$5,909,411	\$11,686,296	\$10,361,797	17,401,362	\$16,271,208
Capital Assets	22,022,530	22,440,720	25,446,629	26,355,089	47,469,159	48,795,809
<b>Total Assets</b>	<b>27,737,596</b>	<b>28,350,131</b>	<b>37,132,925</b>	<b>36,716,886</b>	<b>64,870,521</b>	<b>65,067,017</b>
<b>Deferred Outflows of Resources:</b>						
Pension	740,702	486,994	341,350	224,837	1,082,052	711,831
<b>Total Deferred Outflows of Resources</b>	<b>740,702</b>	<b>486,994</b>	<b>341,350</b>	<b>224,837</b>	<b>1,082,052</b>	<b>711,831</b>
<b>Liabilities:</b>						
Long-Term Liabilities	12,184,390	12,122,142	4,767,000	5,382,207	16,951,390	17,504,349
Other Liabilities	335,919	458,477	886,460	1,022,027	1,222,379	1,480,504
<b>Total Liabilities</b>	<b>12,520,309</b>	<b>12,580,619</b>	<b>5,653,460</b>	<b>6,404,234</b>	<b>18,173,769</b>	<b>18,984,853</b>
<b>Deferred Inflows of Resources:</b>						
Property Taxes	616,203	640,764	0	0	616,203	640,764
Pension	17,053	0	32,275	0	49,328	0
<b>Total Deferred Inflows of Resources</b>	<b>633,256</b>	<b>640,764</b>	<b>32,275</b>	<b>0</b>	<b>665,531</b>	<b>640,764</b>
<b>Net Position:</b>						
Net Investment In Capital Assets	15,860,596	16,075,726	23,418,532	23,657,475	39,279,128	39,733,201
Restricted	3,126,427	3,457,956	0	0	3,126,427	3,457,956
Unrestricted	(3,662,290)	(3,917,940)	8,370,008	6,880,014	4,707,718	2,962,074
<b>Total Net Position</b>	<b>\$15,324,733</b>	<b>\$15,615,742</b>	<b>\$31,788,540</b>	<b>\$30,537,489</b>	<b>\$47,113,273</b>	<b>\$46,153,231</b>



**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

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During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

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In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$20,362,516 to \$15,615,742 for governmental activities to \$32,108,317 to \$30,537,489 for business-type activities.

Total net position of the City as a whole increased \$960,042. Net position of the City's governmental activities decreased \$291,009, while the net position of the City's business-type activities increased \$1,251,051 from 2014. The City had an unrestricted net position balance of \$4,707,718 that may be used to meet the government's ongoing obligations to citizens and creditors.

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

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**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

Table 2 shows the changes in net position for the year ended December 31, 2015 and revenue and expense comparisons to 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
<b>Program Revenues:</b>						
Charges for Services	\$1,428,224	\$1,448,208	\$16,173,022	\$15,301,185	\$17,601,246	\$16,749,393
Operating Grants and Contributions	823,727	639,199	0	0	823,727	639,199
Capital Grants and Contributions	11,867	1,994	0	0	11,867	1,994
<b>Total Program Revenues</b>	<b>2,263,818</b>	<b>2,089,401</b>	<b>16,173,022</b>	<b>15,301,185</b>	<b>18,436,840</b>	<b>17,390,586</b>
<b>General Revenues:</b>						
Income Taxes	3,570,060	3,221,147	0	0	3,570,060	3,221,147
Property Taxes	617,948	647,498	0	0	617,948	647,498
Grants and Entitlements	491,981	417,871	0	0	491,981	417,871
Investment Earnings	11,202	6,664	16,549	6,499	27,751	13,163
Other Revenues	502,929	457,400	248,790	208,354	751,719	665,754
<b>Total General Revenues</b>	<b>5,194,120</b>	<b>4,750,580</b>	<b>265,339</b>	<b>214,853</b>	<b>5,459,459</b>	<b>4,965,433</b>
<b>Total Revenues</b>	<b>7,457,938</b>	<b>6,839,981</b>	<b>16,438,361</b>	<b>15,516,038</b>	<b>23,896,299</b>	<b>22,356,019</b>
<b>Program Expenses:</b>						
General Government	1,232,110	1,239,537	0	0	1,232,110	1,239,537
Public Safety	3,562,149	3,206,140	0	0	3,562,149	3,206,140
Leisure Time Activities	65,163	74,172	0	0	65,163	74,172
Community Development	453,478	615,029	0	0	453,478	615,029
Transportation and Street Repair	1,835,734	868,135	0	0	1,835,734	868,135
Public Health and Welfare	327,798	213,727	0	0	327,798	213,727
Other	27,345	28,000	0	0	27,345	28,000
Interest and Other Charges	245,170	249,307	0	0	245,170	249,307
Sewer	0	0	1,766,000	1,527,445	1,766,000	1,527,445
Water	0	0	2,231,363	1,966,721	2,231,363	1,966,721
Electric	0	0	11,189,947	11,425,962	11,189,947	11,425,962
<b>Total Program Expenses</b>	<b>7,748,947</b>	<b>6,494,047</b>	<b>15,187,310</b>	<b>14,920,128</b>	<b>22,936,257</b>	<b>21,414,175</b>
<b>Change in Net Position</b>	<b>(291,009)</b>	<b>345,934</b>	<b>1,251,051</b>	<b>595,910</b>	<b>960,042</b>	<b>941,844</b>
<b>Net Position - Beginning of Year</b>	<b>15,615,742</b>	<b>N/A</b>	<b>30,537,489</b>	<b>N/A</b>	<b>46,153,231</b>	<b>N/A</b>
<b>Net Position - End of Year</b>	<b>\$15,324,733</b>	<b>\$15,615,742</b>	<b>\$31,788,540</b>	<b>\$30,537,489</b>	<b>\$47,113,273</b>	<b>\$46,153,231</b>

**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$711,831 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$751,158. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$7,748,947	\$15,187,310	\$22,936,257
Pension expense under GASB 68	(550,575)	(200,583)	(751,158)
2015 contractually required contributions	492,470	243,326	735,796
Adjusted 2015 program expenses	7,690,842	15,230,053	22,920,895
	6,494,047	14,920,128	21,414,175
Increase in program expenses not related to pension	\$1,196,795	\$309,925	\$1,506,720

***Governmental Activities***

The City of Shelby's income taxes and property taxes are the largest source of revenue. These revenues represent 81% of the City's governmental activities total general revenue.

Income tax revenue increased mainly due to an increase in tax rate beginning in 2014 and timing of income tax collections. Transportation and street repair expenses increased mainly due to an increase in street repairs throughout the City.

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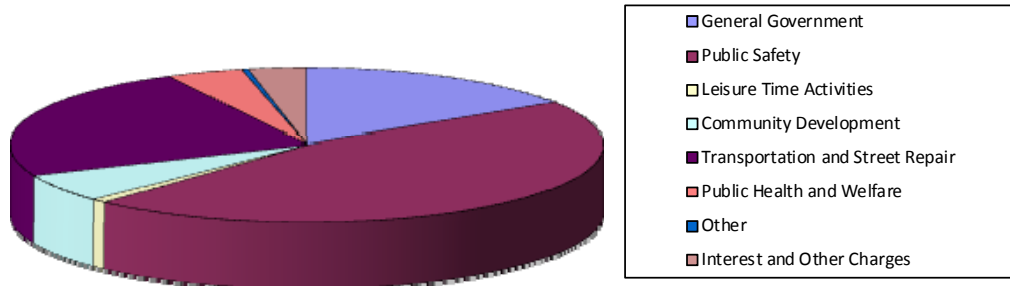
**City of Shelby, Ohio**  
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**(Unaudited)**

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Governmental Activities  
Program Expenses for 2015

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Program Expenses	Percentage
General Government	15.90%
Public Safety	45.97%
Leisure Time Activities	0.84%
Community Development	5.85%
Transportation and Street Repair	23.69%
Public Health and Welfare	4.23%
Other	0.36%
Interest and Other Charges	3.16%
<b>Total</b>	<b>100.00%</b>



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 \$16,468,341 and expenses of \$15,052,644 for fiscal year 2015. Business activities receive no support from tax revenues. The business activities (on the fund level) net position at the end of the year was \$31,796,413, which increased \$1,241,116 from 2014.

**The City’s Funds**

The City has one major governmental fund: the General Fund. Assets of the major governmental fund comprised \$1,665,840 (31%), of the total \$5,289,108 governmental funds’ assets.

**General Fund:** Fund balance at December 31, 2015 was \$863,450.

**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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**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.

As the City completed the year, its General Fund balance reported an actual fund balance of \$269,948, 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 \$47,469,159 invested in land, construction in progress, buildings and improvements, equipment and infrastructure. Table 3 shows 2015 balances compared to 2014:

**Table 3**  
**Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$405,871	\$405,871	\$233,440	\$233,440	\$639,311	\$639,311
Construction in Progress	54,267	430,801	213,523	10,165	267,790	440,966
Buildings and Improvements	10,743,487	10,743,487	14,193,662	14,202,943	24,937,149	24,946,430
Equipment	4,927,619	4,709,687	28,717,008	28,691,170	33,644,627	33,400,857
Infrastructure	20,741,108	20,181,306	24,564,800	24,553,500	45,305,908	44,734,806
Accumulated Depreciation	(14,849,822)	(14,030,432)	(42,475,804)	(41,336,129)	(57,325,626)	(55,366,561)
Total Net Capital Assets	<u>\$22,022,530</u>	<u>\$22,440,720</u>	<u>\$25,446,629</u>	<u>\$26,355,089</u>	<u>\$47,469,159</u>	<u>\$48,795,809</u>

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

**Debt**

The City had \$6,161,934 in bonds and loans outstanding for Governmental Activities and \$2,028,097 in loans and revenue bonds outstanding for Business-Type Activities.

**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

**Table 4**  
**Outstanding Debt at Year End**

		2015	2014
Governmental Activities:			
Special Assessment Bonds:			
Street Improvement - Fox Run 7	4.25%	\$61,943	\$82,590
Total Special Assessment Bonds		61,943	82,590
General Obligation Bonds:			
2007 Various Purpose Bonds	4.75%	75,000	95,000
2011 Municipal Justice Center Improvements	4.10%	5,875,000	6,015,000
Premium on Bonds		125,623	131,791
Total General Obligation Bonds		6,075,623	6,241,791
OPWC Loan:			
Wareham Road	0.00%	24,368	40,613
Total Governmental Activities Debt		6,161,934	6,364,994
OWDA Loans:			
EQ basin	1.00%	0	95,468
WTP upgrade	2.75%	1,459,537	1,702,146
WWTP Improvements	1.00%	118,560	0
Total OWDA Loans		1,578,097	1,797,614
Revenue Bonds:			
Electric System Revenue Bonds	1.73%	450,000	900,000
Total Business-Type Activities Debt		2,028,097	2,697,614
Total Debt		\$8,190,031	\$9,062,608

See Note 10 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. In 2009 a substantial number of homes were demolished due to the flood of 2007. Where some of these homes were created, there is now an exciting opportunity to develop a park located near the City's Central Business District. The City is excited about the prospects of this area and the chance to create interest in the City's downtown business district.

The Technology Parkway area is creating excitement about increased business within the City. The Kehoe Center continues to grow with North Central State University. North Central State University currently has 950 students attending classes at the Kehoe Center campus and a four-year degree is possible in business or engineering on the Shelby Campus. A Convention Center is currently being



**City of Shelby, Ohio**  
**Management's Discussion and Analysis**  
**For The Year Ended December 31, 2015**  
**(Unaudited)**

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financed and Phase I will be built on the third floor of the Kehoe Center. With a study complete for feasibility of a hotel near the Convention Center the possibilities are endless. This is becoming a gem for the City and will be a driving force in the future.

The City passed a bond issue to pay for the construction of a new Justice Center to house our police force and municipal court and City council chambers. The citizens are very supportive of the City's future.

The City relies upon grants, entitlements, property and income taxes to fund the general services of the City. The City also has experienced revenue stagnation as other communities in Ohio, but has contained its operation expenses.

The City is proud of continuing to meet the needs of its citizens, employees and vendors through cooperation, hard work and determination.

**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 Steven Lifer, Finance Director, 43 W. Main Street, Shelby, Ohio, 44875.

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City of Shelby, Ohio  
Statement of Net Position  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$2,798,558	\$8,761,726	\$11,560,284
Restricted Cash	0	5,790	5,790
Cash and Cash Equivalents with Fiscal Agent	418,085	0	418,085
<b>Receivables (Net):</b>			
Taxes	1,832,489	0	1,832,489
Accounts	0	1,625,630	1,625,630
Interest	197	826	1,023
Intergovernmental	466,011	0	466,011
Special Assessments	11,802	0	11,802
Internal Balances	7,873	(7,873)	0
Inventory	125,936	834,480	960,416
Investment in Joint Venture	0	313,741	313,741
Prepaid Items	54,115	151,976	206,091
Nondepreciable Capital Assets	460,138	446,963	907,101
Depreciable Capital Assets, Net	21,562,392	24,999,666	46,562,058
<b>Total Assets</b>	<b>27,737,596</b>	<b>37,132,925</b>	<b>64,870,521</b>
<b>Deferred Outflows of Resources:</b>			
Pension	740,702	341,350	1,082,052
<b>Total Deferred Outflows of Resources</b>	<b>740,702</b>	<b>341,350</b>	<b>1,082,052</b>
<b>Liabilities:</b>			
Accounts Payable	38,453	786,885	825,338
Accrued Wages and Benefits	116,706	73,066	189,772
Retainage Payable	0	5,790	5,790
Accrued Interest Payable	20,008	20,719	40,727
Claims Payable	160,752	0	160,752
<b>Long-Term Liabilities:</b>			
Due Within One Year	266,702	772,875	1,039,577
Due In More Than One Year			
Net Pension Liability	5,528,529	1,837,159	7,365,688
Other Amounts	6,389,159	2,156,966	8,546,125
<b>Total Liabilities</b>	<b>12,520,309</b>	<b>5,653,460</b>	<b>18,173,769</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	616,203	0	616,203
Pension	17,053	32,275	49,328
<b>Total Deferred Inflows of Resources</b>	<b>633,256</b>	<b>32,275</b>	<b>665,531</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	15,860,596	23,418,532	39,279,128
<b>Restricted for:</b>			
Debt Service	544,198	0	544,198
Capital Projects	1,507,734	0	1,507,734
Street Maintenance, Construction and Repair	321,726	0	321,726
Community Development Projects	114,197	0	114,197
Mini Park Trust Nonexpendable	20,000	0	20,000
Mini Park Trust Expendable	5,394	0	5,394
Human Services Programs	393,050	0	393,050
Other Purposes	220,128	0	220,128
Unrestricted	(3,662,290)	8,370,008	4,707,718
<b>Total Net Position</b>	<b>\$15,324,733</b>	<b>\$31,788,540</b>	<b>\$47,113,273</b>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio  
Statement of Activities  
For the Fiscal Year Ended December 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$1,232,110	\$1,164,261	\$107,134	\$0
Public Safety	3,562,149	176,059	13,418	11,867
Leisure Time Activities	65,163	9,931	4,110	0
Community Development	453,478	44,845	21,342	0
Transportation and Street Repair	1,835,734	0	554,587	0
Public Health and Welfare	327,798	33,128	123,136	0
Other	27,345	0	0	0
Interest and Other Charges	245,170	0	0	0
<b>Total Governmental Activities</b>	<b>7,748,947</b>	<b>1,428,224</b>	<b>823,727</b>	<b>11,867</b>
<b>Business-Type Activities:</b>				
Sewer	1,766,000	1,775,240	0	0
Water	2,231,363	2,185,364	0	0
Electric	11,189,947	12,212,418	0	0
<b>Total Business-Type Activities</b>	<b>15,187,310</b>	<b>16,173,022</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$22,936,257</b>	<b>\$17,601,246</b>	<b>\$823,727</b>	<b>\$11,867</b>

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

Total General Revenues

Change in Net Position

Net Position - Beginning of Year, Restated

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
\$39,285	\$0	\$39,285
(3,360,805)	0	(3,360,805)
(51,122)	0	(51,122)
(387,291)	0	(387,291)
(1,281,147)	0	(1,281,147)
(171,534)	0	(171,534)
(27,345)	0	(27,345)
(245,170)	0	(245,170)
<u>(5,485,129)</u>	<u>0</u>	<u>(5,485,129)</u>
0	9,240	9,240
0	(45,999)	(45,999)
<u>0</u>	<u>1,022,471</u>	<u>1,022,471</u>
<u>0</u>	<u>985,712</u>	<u>985,712</u>
<u>(5,485,129)</u>	<u>985,712</u>	<u>(4,499,417)</u>
3,570,060	0	3,570,060
212,175	0	212,175
405,773	0	405,773
491,981	0	491,981
10,241	0	10,241
11,202	16,549	27,751
369,345	0	369,345
123,343	248,790	372,133
<u>5,194,120</u>	<u>265,339</u>	<u>5,459,459</u>
(291,009)	1,251,051	960,042
<u>15,615,742</u>	<u>30,537,489</u>	<u>46,153,231</u>
<u>\$15,324,733</u>	<u>\$31,788,540</u>	<u>\$47,113,273</u>

City of Shelby, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$427,534	\$2,371,024	\$2,798,558
<b>Receivables (Net):</b>			
Taxes	967,799	864,690	1,832,489
Interest	109	88	197
Intergovernmental	209,568	256,443	466,011
Special Assessments	0	11,802	11,802
Inventory	25,931	100,005	125,936
Prepaid Items	34,899	19,216	54,115
<b>Total Assets</b>	<b>1,665,840</b>	<b>3,623,268</b>	<b>5,289,108</b>
<b>Liabilities:</b>			
Accounts Payable	31,491	6,962	38,453
Accrued Wages and Benefits	104,918	11,788	116,706
<b>Total Liabilities</b>	<b>136,409</b>	<b>18,750</b>	<b>155,159</b>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	226,452	453,368	679,820
Income Taxes	356,376	203,524	559,900
Grants and Other Taxes	83,153	176,881	260,034
Special Assessments	0	11,802	11,802
Investment Earnings	0	70	70
<b>Total Deferred Inflows of Resources</b>	<b>665,981</b>	<b>845,645</b>	<b>1,511,626</b>
<b>Fund Balances:</b>			
Nonspendable	63,686	139,221	202,907
Restricted	0	2,615,210	2,615,210
Assigned	93,707	4,442	98,149
Unassigned	706,057	0	706,057
<b>Total Fund Balances</b>	<b>863,450</b>	<b>2,758,873</b>	<b>3,622,323</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$1,665,840</b>	<b>\$3,623,268</b>	<b>\$5,289,108</b>

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, 2015

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Total Governmental Fund Balance \$3,622,323

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

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

Capital assets used in the operation of Governmental Funds 22,022,530

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

Income Taxes	559,900	
Delinquent Property Taxes	\$63,617	
Interest	70	
Intergovernmental	260,034	
Other Receivables	<u>11,802</u>	
		895,423

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	257,333	
Allocation to Business-Type Activities	<u>7,873</u>	
		265,206

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. (20,008)

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 (493,927)

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

Deferred outflows of resources related to pensions	740,702	
Deferred inflows of resources related to pensions	<u>(17,053)</u>	
		723,649

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

Net Pension Liability	(5,528,529)	
Bonds and Loans Payable	<u>(6,161,934)</u>	
		<u>(11,690,463)</u>

Net Position of Governmental Activities \$15,324,733

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$582,961	\$408,701	\$991,662
Income Taxes	2,258,663	1,175,846	3,434,509
Charges for Services	1,005,100	162,600	1,167,700
Investment Earnings	10,823	585	11,408
Intergovernmental	342,123	990,732	1,332,855
Special Assessments	0	25,047	25,047
Fines, Licenses & Permits	159,115	79,759	238,874
Other Revenues	80,536	53,045	133,581
<b>Total Revenues</b>	<b>4,439,321</b>	<b>2,896,315</b>	<b>7,335,636</b>
Expenditures:			
Current:			
General Government	1,146,501	0	1,146,501
Public Safety	2,779,805	397,458	3,177,263
Leisure Time Activities	0	45,801	45,801
Community Development	6,746	303,521	310,267
Transportation and Street Repair	39,054	668,646	707,700
Public Health and Welfare	0	325,706	325,706
Other	0	27,345	27,345
Capital Outlay	0	1,183,941	1,183,941
Debt Service:			
Principal	0	196,892	196,892
Interest and Other Charges	0	251,789	251,789
<b>Total Expenditures</b>	<b>3,972,106</b>	<b>3,401,099</b>	<b>7,373,205</b>
Excess of Revenues Over (Under) Expenditures	467,215	(504,784)	(37,569)
Other Financing Sources (Uses):			
Transfers In	250,000	351,000	601,000
Transfers (Out)	(351,000)	(250,000)	(601,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(101,000)</b>	<b>101,000</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>366,215</b>	<b>(403,784)</b>	<b>(37,569)</b>
Fund Balance - Beginning of Year	571,989	3,152,035	3,724,024
Change in Reserve for Inventory	(74,754)	10,622	(64,132)
<b>Fund Balance - End of Year</b>	<b>\$863,450</b>	<b>\$2,758,873</b>	<b>\$3,622,323</b>

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, 2015

Net Change in Fund Balance - Total Governmental Funds (\$37,569)

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	401,200	
Depreciation Expense	<u>(819,390)</u>	(418,190)

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

City pension contributions	492,470	
Cost of benefits earned net of employee contributions	<u>(550,576)</u>	(58,106)

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

Income Taxes	135,553	
Delinquent Property Taxes	(4,369)	
Interest	(206)	
Intergovernmental	(5,280)	
Other	<u>(3,396)</u>	122,302

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.

196,892

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

451

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	(10,022)	
Amortization of Bond Premium	6,168	
Change in Inventory	<u>(64,132)</u>	(67,986)

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	(18,868)	
Change in portion of Internal Service Fund Net Position allocated to Business-Type Activities	<u>(9,935)</u>	(28,803)

Change in Net Position of Governmental Activities (\$291,009)

See accompanying notes to the basic financial statements.

City of Shelby, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Taxes	\$562,776	\$562,776	\$575,109	\$12,333
Income Taxes	1,943,623	1,943,623	1,986,215	\$42,592
Charges for Services	983,547	983,547	1,005,100	\$21,553
Investment Earnings	10,484	10,484	10,714	\$230
Intergovernmental	334,813	334,813	342,150	\$7,337
Fines, Licenses & Permits	155,703	155,703	159,115	\$3,412
Other Revenues	78,753	78,753	80,479	\$1,726
<b>Total Revenues</b>	<b>4,069,699</b>	<b>4,069,699</b>	<b>4,158,882</b>	<b>89,183</b>
Expenditures:				
Current:				
General Government	941,102	933,221	901,365	31,856
Public Safety	3,111,585	3,085,527	2,980,202	105,325
Community Development	14,417	14,296	13,808	488
Transportation and Street Repair	42,553	42,196	40,756	1,440
<b>Total Expenditures</b>	<b>4,109,657</b>	<b>4,075,240</b>	<b>3,936,131</b>	<b>139,109</b>
Excess of Revenues Over (Under) Expenditures	(39,958)	(5,541)	222,751	228,292
Other Financing Sources (Uses):				
Transfers In	250,000	250,000	250,000	0
Transfers (Out)	(370,650)	(367,546)	(355,000)	12,546
<b>Total Other Financing Sources (Uses)</b>	<b>(120,650)</b>	<b>(117,546)</b>	<b>(105,000)</b>	<b>12,546</b>
<b>Net Change in Fund Balance</b>	<b>(160,608)</b>	<b>(123,087)</b>	<b>117,751</b>	<b>240,838</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	152,197	152,197	152,197	0
<b>Fund Balance End of Year</b>	<b>(\$8,411)</b>	<b>\$29,110</b>	<b>\$269,948</b>	<b>\$240,838</b>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio  
Statement of Net Position  
Proprietary Funds  
December 31, 2015

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Electric	Total Business-Type Activities	
<b>Current Assets:</b>					
Equity in Pooled Cash and Investments	\$1,241,000	\$1,054,418	\$6,466,308	\$8,761,726	\$0
Restricted Cash	5,790	0	0	5,790	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	418,085
<b>Receivables (Net):</b>					
Accounts	113,794	243,844	1,267,992	1,625,630	0
Interest	0	0	826	826	0
Inventory	66,454	132,635	635,391	834,480	0
Prepaid Items	15,786	30,454	105,736	151,976	0
<b>Total Current Assets</b>	<b>1,442,824</b>	<b>1,461,351</b>	<b>8,476,253</b>	<b>11,380,428</b>	<b>418,085</b>
<b>Noncurrent Assets:</b>					
Investment in Joint Venture	0	0	313,741	313,741	0
<b>Capital Assets:</b>					
Nondepreciable Capital Assets	183,328	214,265	49,370	446,963	0
Depreciable Capital Assets, Net	6,694,594	9,381,687	8,923,385	24,999,666	0
<b>Total Noncurrent Assets</b>	<b>6,877,922</b>	<b>9,595,952</b>	<b>9,286,496</b>	<b>25,760,370</b>	<b>0</b>
<b>Total Assets</b>	<b>8,320,746</b>	<b>11,057,303</b>	<b>17,762,749</b>	<b>37,140,798</b>	<b>418,085</b>
<b>Deferred Outflows of Resources</b>					
Pension	78,934	115,087	147,329	341,350	0
<b>Total Deferred Outflows of Resources:</b>	<b>78,934</b>	<b>115,087</b>	<b>147,329</b>	<b>341,350</b>	<b>0</b>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	60,651	66,782	659,452	786,885	0
Accrued Wages and Benefits	17,050	24,084	31,932	73,066	0
Compensated Absences	11,100	22,225	40,223	73,548	0
Retainage Payable	5,790	0	0	5,790	0
Accrued Interest Payable	0	20,069	650	20,719	0
Claims Payable	0	0	0	0	160,752
Long-Term Liabilities Due Within One Year	0	249,327	450,000	699,327	0
<b>Total Current Liabilities</b>	<b>94,591</b>	<b>382,487</b>	<b>1,182,257</b>	<b>1,659,335</b>	<b>160,752</b>
<b>Long-Term Liabilities:</b>					
Compensated Absences	36,930	51,144	95,759	183,833	0
Bonds, Notes & Loans Payable	118,560	1,210,210	0	1,328,770	0
Net Pension Liability	424,827	619,403	792,929	1,837,159	0
AMP Ohio Payable	0	0	644,363	644,363	0
<b>Total Noncurrent Liabilities</b>	<b>580,317</b>	<b>1,880,757</b>	<b>1,533,051</b>	<b>3,994,125</b>	<b>0</b>
<b>Total Liabilities</b>	<b>674,908</b>	<b>2,263,244</b>	<b>2,715,308</b>	<b>5,653,460</b>	<b>160,752</b>
<b>Deferred Inflows of Resources</b>					
Pension	7,463	10,882	13,930	32,275	0
<b>Total Deferred Inflows of Resources</b>	<b>7,463</b>	<b>10,882</b>	<b>13,930</b>	<b>32,275</b>	<b>0</b>
<b>Net Position:</b>					
Net Investment in Capital Assets	6,759,362	8,136,415	8,522,755	23,418,532	0
Unrestricted	957,947	761,849	6,658,085	8,377,881	257,333
<b>Total Net Position</b>	<b>\$7,717,309</b>	<b>\$8,898,264</b>	<b>\$15,180,840</b>	<b>31,796,413</b>	<b>\$257,333</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities:				(7,873)	
<b>Net Position of Business-Type Activities</b>				<b>\$31,788,540</b>	

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, 2015

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Electric	Total Business-Type Activities	
Operating Revenues:					
Charges for Services	\$1,775,240	\$2,185,364	\$12,212,418	\$16,173,022	\$1,673,712
Other Revenues	2,884	5,424	287,011	295,319	0
<b>Total Operating Revenues</b>	<b>1,778,124</b>	<b>2,190,788</b>	<b>12,499,429</b>	<b>16,468,341</b>	<b>1,673,712</b>
Operating Expenses:					
Personal Services	676,975	913,533	1,289,473	2,879,981	0
Contactual Services	367,870	305,606	851,425	1,524,901	0
Materials and Supplies	159,181	450,123	8,164,228	8,773,532	0
Depreciation	364,852	359,326	633,977	1,358,155	0
Utilities	205,570	153,643	36,339	395,552	0
Claims	0	0	0	0	1,696,225
Other Expense	1,487	7,316	111,720	120,523	0
<b>Total Operating Expenses</b>	<b>1,775,935</b>	<b>2,189,547</b>	<b>11,087,162</b>	<b>15,052,644</b>	<b>1,696,225</b>
<b>Operating Income (Loss)</b>	<b>2,189</b>	<b>1,241</b>	<b>1,412,267</b>	<b>1,415,697</b>	<b>(22,513)</b>
Non-Operating Revenues (Expenses):					
Investment Earnings	0	10,571	5,978	16,549	3,645
Interest (Expense)	0	(41,816)	(15,067)	(56,883)	0
(Loss) on Disposal of Capital Assets	0	0	(27,778)	(27,778)	0
(Loss) in Investment in Joint Venture	0	0	(59,940)	(59,940)	0
Excise Tax (Expense)	0	0	(46,529)	(46,529)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>0</b>	<b>(31,245)</b>	<b>(143,336)</b>	<b>(174,581)</b>	<b>3,645</b>
<b>Change in Net Position</b>	<b>2,189</b>	<b>(30,004)</b>	<b>1,268,931</b>	<b>1,241,116</b>	<b>(18,868)</b>
<b>Net Position - Beginning of Year, Restated</b>	<b>7,715,120</b>	<b>8,928,268</b>	<b>13,911,909</b>	<b>30,555,297</b>	<b>276,201</b>
<b>Net Position - End of Year</b>	<b>\$7,717,309</b>	<b>\$8,898,264</b>	<b>\$15,180,840</b>	<b>31,796,413</b>	<b>\$257,333</b>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Business-Type Activities				9,935	
<b>Change in Net Position - Total Business-Type Activities</b>				<b>\$1,251,051</b>	

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, 2015

	Business-Type Activities -Enterprise Funds				Governmental Activities- Internal Service Funds
	Sewer	Water	Electric	Total Business-Type Activities	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$1,779,307	\$2,193,325	\$12,512,618	\$16,485,250	\$1,673,712
Cash Payments to Employees	(698,492)	(950,959)	(1,349,647)	(2,999,098)	0
Cash Payments to Suppliers	(693,104)	(823,052)	(9,112,684)	(10,628,840)	0
Cash Payments for Claims	0	0	0	0	(1,635,501)
Other Cash Payments	(1,487)	(7,316)	(111,720)	(120,523)	0
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>386,224</b>	<b>411,998</b>	<b>1,938,567</b>	<b>2,736,789</b>	<b>38,211</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Cash Payments for Excise Taxes	0	0	(46,529)	(46,529)	0
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>0</b>	<b>0</b>	<b>(46,529)</b>	<b>(46,529)</b>	<b>0</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Payments for Capital Acquisitions	(209,462)	(30,195)	(228,535)	(468,192)	0
Debt Proceeds	118,560	0	0	118,560	0
Debt Principal Payments	(95,468)	(242,609)	(450,000)	(788,077)	0
Debt Interest Payments	(477)	(45,152)	(15,718)	(61,347)	0
Loss on the Disposal of Capital Assets	0	0	(9,281)	(9,281)	0
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(186,847)</b>	<b>(317,956)</b>	<b>(703,534)</b>	<b>(1,208,337)</b>	<b>0</b>
<b>Cash Flows from Investing Activities:</b>					
Earnings on Investments	0	10,571	6,253	16,824	3,645
<b>Net Cash Provided (Used) by Cash Flows from Investing Activities</b>	<b>0</b>	<b>10,571</b>	<b>6,253</b>	<b>16,824</b>	<b>3,645</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>199,377</b>	<b>104,613</b>	<b>1,194,757</b>	<b>1,498,747</b>	<b>41,856</b>
Cash and Cash Equivalents - Beginning of Year	1,047,413	949,805	5,271,551	7,268,769	376,229
Cash and Cash Equivalents - End of Year	1,246,790	1,054,418	6,466,308	8,767,516	418,085
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	2,189	1,241	1,412,267	1,415,697	(22,513)
<b>Adjustments:</b>					
Depreciation	364,852	359,326	633,977	1,358,155	0
<b>Changes in Assets &amp; Liabilities:</b>					
(Increase) Decrease in Receivables	1,183	2,537	13,189	16,909	0
(Increase) Decrease in Inventory	(9,094)	64,846	52,463	108,215	0
(Increase) Decrease in Prepaid Items	(569)	(1,114)	527	(1,156)	0
(Increase) Decrease in Deferred Outflows of Resources:	(26,942)	(39,283)	(50,288)	(116,513)	0
Increase (Decrease) in Retainage Payable	5,790	0	0	5,790	0
Increase (Decrease) in Payables	43,390	22,588	(113,672)	(47,694)	60,724
Increase (Decrease) in Accrued Liabilities	(11,633)	(23,015)	(41,735)	(76,383)	0
Increase (Decrease) in Deferred Inflows of Resources	7,463	10,882	13,930	32,275	0
Increase (Decrease) in Net Pension Liability	9,595	13,990	17,909	41,494	0
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$386,224</b>	<b>\$411,998</b>	<b>\$1,938,567</b>	<b>\$2,736,789</b>	<b>\$38,211</b>

See accompanying notes to the basic financial statements.

City of Shelby, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Fund  
December 31, 2015

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	\$219,309
Receivables (Net):	
Interest	<u>292</u>
Total Assets	<u><u>219,601</u></u>
Liabilities:	
Intergovernmental Payable	<u>219,601</u>
Total Liabilities	<u><u>\$219,601</u></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, 2015**

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**Note 1 - Description of the City**

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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**

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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 11.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 138.65 MW 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, 2015, the outstanding debt was \$8,052,470. 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 \$313,741 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

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**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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. 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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 are the City's major governmental funds:

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.

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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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*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.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for customer deposits, utility sharing and municipal court. The customer deposit fund is deposits made by utility customers which are refunded if customers have fulfilled their obligations when they cancel their account. The utility sharing fund accounts for donations made by utility customers which are intended to help pay the utility bills of those who are unable to do so. The municipal court fund represents cash that is collected by the City's municipal court and disbursed to government agencies, including the City.

#### **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 all liabilities 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 all liabilities 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.

#### **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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 revenue 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 pension on the government-wide statement of net position. The deferred outflows of resources related to pension are explained in Note 12.

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, pension, and investment earnings revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and 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 are reported on the government-wide state of net position. (See Note 12)

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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2014.

**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 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.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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**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 2015, interest revenue credited to the general fund amounted to \$10,823 and \$585 to other governmental funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the basic financial statements as "restricted cash and investments" since it is not required to be deposited into the City treasury. The City maintains segregated depository accounts for municipal court deposits and retainage due to contractors.

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 11.

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 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 are recorded at their fair market values as of the date received. 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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 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, 2015, are recorded as

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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**

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

**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. Restricted assets represent amounts held in retainage for contractors.



**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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**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 first considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which 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.

**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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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administrative operations and trust fund resources. Of the City's \$3,126,427 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**

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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.

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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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.

**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, 2015 was \$418,085. This amount is not included in the City's depository balance below.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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**Deposits**

At December 31, 2015, \$9,050,085 of the City's bank balance of \$12,285,167 was exposed to custodial risk as discussed below, while \$3,235,082 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments**

As of December 31, 2015, the City had no investments.

**Note 4 - Interfund Transactions**

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Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the fund statements:

Transfers from the general fund to:

Other governmental funds	\$351,000
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Transfers from other governmental funds to:

General fund:	\$250,000
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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**

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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 2015 were levied after October 1, 2014 on assessed values as of January 1, 2014, 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, 2015**

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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	\$117,627,020
Public Utility	<u>1,438,550</u>
Total Valuation	<u><u>\$119,065,570</u></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, 2015, 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 2015 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**

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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 .67% 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**

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

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

**Note 8 – Capital Assets**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$405,871	\$0	\$0	\$405,871
Construction in Progress	430,801	183,268	559,802	54,267
<b>Capital Assets, being depreciated:</b>				
Buildings and Improvements	10,743,487	0	0	10,743,487
Equipment	4,709,687	217,932	0	4,927,619
Infrastructure	20,181,306	559,802	0	20,741,108
Totals at Historical Cost	<u>\$36,471,152</u>	<u>\$961,002</u>	<u>\$559,802</u>	<u>\$36,872,352</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$2,224,800	\$129,995	\$0	\$2,354,795
Equipment	3,374,059	197,146	0	3,571,205
Infrastructure	8,431,573	492,249	0	8,923,822
Total Accumulated Depreciation	<u>\$14,030,432</u>	<u>\$819,390</u>	<u>\$0</u>	<u>\$14,849,822</u>
Governmental Activities Capital Assets, Net	<u>\$22,440,720</u>	<u>\$141,612</u>	<u>\$559,802</u>	<u>\$22,022,530</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$233,440	\$0	\$0	\$233,440
Construction in Progress	10,165	214,658	11,300	213,523
<b>Capital Assets, being depreciated:</b>				
Buildings and Improvements	14,202,943	0	9,281	14,193,662
Equipment	28,691,170	253,534	227,696	28,717,008
Infrastructure	24,553,500	11,300	0	24,564,800
Totals at Historical Cost	<u>67,691,218</u>	<u>479,492</u>	<u>248,277</u>	<u>67,922,433</u>
Less Accumulated Depreciation:				
Buildings and Improvements	7,096,510	307,284	9,281	7,394,513
Equipment	26,101,871	748,061	209,199	26,640,733
Infrastructure	8,137,748	302,810	0	8,440,558
Total Accumulated Depreciation	<u>41,336,129</u>	<u>1,358,155</u>	<u>218,480</u>	<u>42,475,804</u>
Business-Type Activities Capital Assets, Net	<u>\$26,355,089</u>	<u>(\$878,663)</u>	<u>\$29,797</u>	<u>\$25,446,629</u>

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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

General Government	\$33,971
Public Safety	115,076
Leisure Time Activities	10,130
Community Development	72,569
Public Health and Welfare	2,201
Transportation and Street Repair	<u>585,443</u>
Total Depreciation Expense	<u>\$819,390</u>

**Note 9 – Compensated Absences**

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Employees earn vacation and sick leave at different rates which are affected by length of service. Vacation can be carried over at different rates depending on the department. Service and office employees may carry over 80 hours while the police may carry over 40 hours for use in the following year. Sick leave accrual is continuous, without limit.

Upon retirement, an employee can be paid for his/her accumulated hours of sick leave up to 720 hours, except for eligible fire department employees, who can be paid for 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**

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The following activity occurred in the City's long-term obligations during 2015:

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**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
<u>General Obligation Bonds</u>						
Fire Truck - Series 2008	4.75%	\$95,000	\$0	(\$20,000)	\$75,000	\$25,000
Municipal Justice Center Improvements	4.10%	6,015,000	0	(140,000)	5,875,000	150,000
Premium on General Obligations Bonds		131,791	0	(6,168)	125,623	0
Total General Obligation Bonds		6,241,791	0	(166,168)	6,075,623	175,000
<u>Special Assessment Bonds</u>						
Street Improvement - Fox Run 7	4.25%	82,590	0	(20,647)	61,943	20,647
Total Special Assessment Bonds		82,590	0	(20,647)	61,943	20,647
<u>OPWC Loan Payable:</u>						
Wareham Road	0.00%	40,613	0	(16,245)	24,368	16,245
Total Bonds and Loans Payable		6,364,994	0	(203,060)	6,161,934	211,892
Net Pension Liability:						
OPERS		948,744	140,718	(118,793)	970,669	0
OP&F		4,285,024	641,037	(368,201)	4,557,860	0
Total Net Pension Liability		5,233,768	781,755	(486,994)	5,528,529	0
Compensated Absences		523,380	65,931	(95,384)	493,927	54,810
Total Governmental Activities		<u>\$12,122,142</u>	<u>\$847,686</u>	<u>(\$785,438)</u>	<u>\$12,184,390</u>	<u>\$266,702</u>

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>						
<u>OWDA Loans Payable:</u>						
EQ Basin	1.00%	\$95,468	\$0	(\$95,468)	\$0	\$0
WTP Upgrade	2.75%	1,702,146	0	(242,609)	1,459,537	249,327
WTP Improvements	1.00%	0	118,560	0	118,560	0
<u>Revenue Bond:</u>						
Electric System Revenue Bonds	1.73%	900,000	0	(450,000)	450,000	450,000
Total Bonds and Loans Payable		2,697,614	118,560	(788,077)	2,028,097	699,327
Net Pension Liability:						
Sewer		415,232	61,587	(51,992)	424,827	0
Water		605,413	89,794	(75,804)	619,403	0
Electric		775,020	114,950	(97,041)	792,929	0
Total Net Pension Liability		1,795,665	266,331	(224,837)	1,837,159	0
AMP Ohio Payable		644,363	0	0	644,363	0
Compensated Absences		244,565	83,831	(71,015)	257,381	73,548
Total Business-Type Activities		<u>\$5,382,207</u>	<u>\$468,722</u>	<u>(\$1,083,929)</u>	<u>\$4,767,000</u>	<u>\$772,875</u>



**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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**Special assessment bonds** - Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments. Payments on the bonds are made from the Special Bond Retirement debt service fund.

**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 2009, the City issued \$205,000 in Fire Truck Bonds for the purchase of a new fire truck. The bonds were issued at an interest rate of 4.75% and will mature on December 1, 2018. The bonds are being paid from the fire equipment capital projects fund.

**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 retired through the general bond retirement fund (a nonmajor governmental fund). The OPWC loan is interest free.

**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. As of December 31, 2015, the OWDA WWTP loan has not been finalized and no repayment schedule has been established.

AMP Ohio Payable – See Note 15 for further information.

**Revenue bonds payable** - In 2011, the City issued \$2,250,000 in Electric system Revenue Bonds. The bonds were issued at an interest rate of 1.73% and will mature on December 1, 2016. These bonds are being paid from the Electric Fund operating revenues.

**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.

Principal and interest requirements to retire governmental long-term obligations outstanding at December 31, 2015, are as follows:

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**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

Year Ending December 31	Governmental Activities					
	General		Special		OPWC	
	Obligation Bonds		Assessment Bonds		Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	175,000	239,125	\$20,647	\$2,414	\$16,245	\$0
2017	180,000	233,500	20,647	1,427	8,123	0
2018	195,000	226,050	20,649	759	0	0
2019	180,000	218,000	0	0	0	0
2020	190,000	210,800	0	0	0	0
2021-2025	1,185,000	930,000	0	0	0	0
2026-2030	1,495,000	665,600	0	0	0	0
2031-2035	1,915,000	331,340	0	0	0	0
2036	435,000	17,835	0	0	0	0
<b>Total</b>	<b>\$5,950,000</b>	<b>\$3,072,250</b>	<b>\$61,943</b>	<b>\$4,600</b>	<b>\$24,368</b>	<b>\$0</b>

Year Ending December 31	Business-Type Activities			
	ODWA		Revenue	
	Loans		Bonds	
	Principal	Interest	Principal	Interest
2016	\$249,327	38,435	\$450,000	7,805
2017	256,230	31,531	0	0
2018	263,326	24,436	0	0
2019	270,616	17,146	0	0
2020	278,109	9,653	0	0
2021	141,929	1,951	0	0
<b>Total</b>	<b>\$1,459,537</b>	<b>\$123,152</b>	<b>\$450,000</b>	<b>\$7,805</b>

**Note 11 - 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 2015, 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, 2015, follows:

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**City of Shelby, Ohio**  
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<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 Finance	1,000 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 through a self-insured package. 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 \$691.21 for single coverage and \$1,522.19 for family coverage.

The claims liability of \$160,752 reported in the internal service fund at December 31, 2015, 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, 2015 and 2014 were as follows:

<u>Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2015	\$100,028	\$1,696,225	(\$1,635,501)	\$160,752
2014	\$163,188	\$2,188,706	(\$2,251,866)	\$100,028

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 2014 to 2015.

**Note 12 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

***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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2015 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2015 Actual Contribution Rates</b>			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The City's contractually required contribution was \$371,888 for 2015. Of this amount, \$31,276 is reported as an accrued wages and benefits.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.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 OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is

**City of Shelby, Ohio**  
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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 after 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 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF 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 and statutory survivors.

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 (CPI) over the 12-month period ending on September 30 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 three 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:

	<u>Police</u>	<u>Firefighters</u>
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
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:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$363,908 for 2015. Of this amount \$29,006 is reported as an accrued wages and benefits.

**City of Shelby, Ohio**  
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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability 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 and pension expense:

	<u>OPERS</u>	<u>OP&amp;F - Police</u>	<u>OP&amp;F - Fire</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,807,828	\$2,268,836	\$2,289,024	\$7,365,688
Proportion of the Net Pension Liability	0.023280%	0.0437964%	0.0441861%	
Pension Expense	\$306,560	\$221,314	\$223,284	\$751,158

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F - Police</u>	<u>OP&amp;F - Fire</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>				
Net difference between projected and actual earnings on pension plan investments	\$149,816	\$97,785	\$98,655	\$346,256
City contributions subsequent to the measurement date	<u>371,888</u>	<u>179,385</u>	<u>184,523</u>	<u>735,796</u>
Total Deferred Outflows of Resources	<u>\$521,704</u>	<u>\$277,170</u>	<u>\$283,178</u>	<u>\$1,082,052</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	<u>\$49,328</u>	<u>\$0</u>	<u>\$0</u>	<u>\$49,328</u>

\$735,796 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2016	\$25,122	\$49,110	\$74,232
2017	25,122	49,110	74,232
2018	25,122	49,110	74,232
2019	<u>25,123</u>	<u>49,110</u>	<u>74,233</u>
Total	<u>\$100,489</u>	<u>\$196,440</u>	<u>\$296,929</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 benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s 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 calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

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**City of Shelby, Ohio**  
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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$5,165,599	\$2,807,828	\$822,017

**Actuarial Assumptions – OPF**

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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 expectation. 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 OPF's target asset allocation as of December 31, 2014 are summarized below:

**City of Shelby, Ohio**  
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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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 their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments 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 City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 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 (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

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**City of Shelby, Ohio**  
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	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability - 0561P	\$3,138,144	\$2,268,836	\$1,532,797
City's proportionate share of the net pension liability - 0561F	\$3,166,067	\$2,289,024	\$1,546,436

**Note 13 – Post Employment Benefits**

**Ohio Public Employees Retirement System**

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
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Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, the City contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2016, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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.

Information from City's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The City's actual contributions for the current year, which were used to fund postemployment benefits, were \$53,106 for 2015, \$61,249 for 2014, and \$30,890 for 2013. The full amount has been contributed for 2013, 93 percent has actually been contributed for 2014, and 92 percent has actually been contributed for 2015.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2015. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Ohio Police and Fire Pension Fund**

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 healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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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 healthcare 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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164, or by visiting the OP&F website at [www.op-f.org](http://www.op-f.org).

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 contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of the covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2015 thru December 31, 2015. For the year ended December 31, 2015, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the healthcare 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.

Information from City's Records

The City's contributions to OP&F for the year ending December 31, 2015 was \$9,217, for the year ending December 31, 2014 was \$8,853; and was \$59,123 for year ending December 31, 2013, and were allocated to the healthcare plan. The actual contributions for 2013 were 100%, 92% (police) and 92% (fire) has actually been contributed for 2014, and 93% (police) and 93% (fire) has actually been contributed for 2015.

**Note 14 - Budgetary Basis of Accounting**

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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

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget and actual (non-GAAP budgetary 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 basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as assigned to a fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the General fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$366,215
Revenue Accruals	(280,439)
Expenditure Accruals	426,119
Transfers Out	(4,000)
Encumbrances	(88,479)
Funds Budgeted Elsewhere	<u>(301,665)</u>
Budget Basis	<u>\$117,751</u>

**Note 15 - Contingencies**

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**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, 2015.



**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

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**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 intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 5,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.65 percent 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. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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 estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$870,487. The City received a credit of \$226,124 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$644,363. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. Since March 31, 2014 the City has made no payments to AMP toward its net impaired cost estimate. The City elected to finance the liability with future electric fund charges for services.

**Note 16 - Fund Balances**

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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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**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$25,931	\$100,005	\$125,936
Prepays	37,755	19,216	56,971
Muni Park Trust	0	20,000	20,000
Total Nonspendable	63,686	139,221	202,907
Restricted for:			
Police Court and Construction	0	0	0
Street	0	108,761	108,761
State Highway	0	7,006	7,006
Street Sales Tax	0	68	68
Health	0	350,900	350,900
Park	0	70,106	70,106
Rehab Escrow CDBG	0	3,464	3,464
Court Probation	0	959	959
Law Enforcement Trust	0	7,125	7,125
Court IDAT	0	74,502	74,502
Court Enforcement and Education	0	17,218	17,218
DARE	0	1,914	1,914
Police Computer	0	237	237
Court IDAM	0	29,611	29,611
CDBG General	0	3,605	3,605
Police Pension	0	31,728	31,728
Fire Pension	0	44,109	44,109
Shade Tree Trust	0	956	956
Fire Damage	0	1,333	1,333
Debt Service	0	532,477	532,477
Capital Projects	0	1,323,766	1,323,766
Muni Park Trust	0	5,365	5,365
Total Restricted	0	2,615,210	2,615,210
Assigned to:			
Encumbrances	79,153	0	79,153
Budgetary Variance	14,554	0	14,554
Police Equipment	0	4,442	4,442
Total Assigned	93,707	4,442	98,149
Unassigned (Deficit)	706,057	0	706,057
Total Fund Balance	\$863,450	\$2,758,873	\$3,622,323

**City of Shelby, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Year Ended December 31, 2015**

**Note 17 – Change in Accounting Principle and Restatement of Net Position**

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Net position December 31, 2014	\$20,362,516	\$32,108,317
Adjustments:		
Net Pension Liability	(5,233,768)	(1,795,665)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>486,994</u>	<u>224,837</u>
Restated Net Position December 31, 2014	<u>\$15,615,742</u>	<u>\$30,537,489</u>

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Electric Fund</u>
Net position December 31, 2014	\$8,078,360	\$9,457,877	\$14,589,888
Adjustments:			
Net Pension Liability	(415,232)	(605,413)	(775,020)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>51,992</u>	<u>75,804</u>	<u>97,041</u>
Restated Net Position December 31, 2014	<u>\$7,715,120</u>	<u>\$8,928,268</u>	<u>\$13,911,909</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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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 Two Fiscal Years (1)

	2014	2013
City's Proportion of the Net Pension Liability	0.02328000%	0.02328000%
City's Proportionate Share of the Net Pension Liability	\$2,807,828	\$2,744,409
City's Covered-Employee Payroll	\$2,863,584	\$3,328,000
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.05%	82.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) - Information prior to 2013 is not available

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

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 Two Fiscal Years (1)

	2014	2013
City's Proportion of the Net Pension Liability - 0561P	0.0437964%	0.0437964%
Liability - 0561F	0.0441861%	0.0441861%
City's Proportionate Share of the Net Pension Liability - 0561P	\$2,268,836	\$2,133,022
Pension Liability - 0561F	\$2,289,024	\$2,152,002
Pension Liability - Total	\$4,557,860	\$4,285,024
City's Covered-Employee Payroll	\$1,808,453	\$2,118,167
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.03%	202.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) - Information prior to 2013 is not available

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

City of Shelby, Ohio  
 Required Supplementary Information  
 Schedule of City Contributions  
 Ohio Public Employees Retirement System - Traditional Plan  
 Last Two Fiscal Years (1)

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$371,888	\$343,630
Contributions in Relation to the Contractually Required Contribution	<u>(371,888)</u>	<u>(343,630)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$3,099,067	\$2,863,584
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%

(1) - Information prior to 2014 is not available

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

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution - 0561P	\$179,385	\$183,285
Contractually Required Contribution - 0561F	<u>\$184,523</u>	<u>\$184,916</u>
Contractually Required Contribution - Total	\$363,908	\$368,201
Contributions in Relation to the Contractually Required Contribution	<u>(363,908)</u>	<u>(368,201)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>
City's Covered-Employee Payroll	\$1,811,389	\$1,808,453
Contributions as a Percentage of Covered-Employee Payroll	20.09%	20.36%

(1) - Information prior to 2014 is not available





# Dave Yost • Auditor of State

## 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2016, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***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 Finding***

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 15, 2016

**CITY OF SHELBY  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

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

**FINDING NUMBER 2015-001**

**Financial Statement Presentation  
Material Weakness**

Sound financial reporting is the responsibility of the Finance Director, Mayor, and City Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The City failed to adjust beginning net position for a prior audit adjustment made in 2014 to record a long-term liability (AMP Ohio Payable). This resulted in an adjustment in the amount of \$644,363 to decrease beginning net position at January 1, 2015 in the Electric Fund and Business-Type Activities.

We recommend the City 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:**

With the AMP-Ohio adjustment of \$644,363 between the city and AMP-Ohio, the city did not include this amount on the beginning net position because of the previous litigation between the two parties.

**CITY OF SHELBY  
RICHLAND COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Material Weakness – Financial Statement Presentation	Not Corrected	Finding is being repeated in the current audit as Finding 2015-001. The City did not adjust beginning January 1, 2015 balances on the financial statements to account for audit adjustments in the 2014 audit.



# Dave Yost • Auditor of State

CITY OF SHELBY

RICHLAND COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 20, 2016