

**CITY OF SHELBY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

**PREPARED BY:**

**CITY OF SHELBY FINANCE DEPARTMENT**



**CITY OF SHELBY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2015**

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# **INTRODUCTORY SECTION**





October 30, 2015

To the Honorable Mayor, Members of City Council,  
and Citizens of the City of Shelby:

State law requires that all municipal governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Shelby for the fiscal year ended June 30, 2015.

This report consists of management's representation concerning the finances of the City of Shelby. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Shelby has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Shelby's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Shelby's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The independent certified public accounting firm of Martin Starnes and Associates, CPA's, P.A. has audited the City of Shelby's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Shelby for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Shelby's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Shelby was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not

only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires the management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Shelby's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Shelby was incorporated in 1843 and serves as the county seat of Cleveland County. The City lies in the piedmont region of North Carolina approximately 40 miles west of Charlotte. The City was named after Colonel Isaac Shelby, who fought in the Revolutionary War and was a revolutionary war hero and later became the governor of Kentucky. The City has a population of approximately 21,000 and presently covers a land area of 21.29 square miles. The City of Shelby is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City has a council/manager form of government. The City Council ("Council") is the policy making and legislative body of city government and includes a mayor and six council members. The Mayor and Council are elected at-large on a non-partisan basis and serve staggered four-year terms. Elections are held in October of odd numbered years. The City Manager, the chief administrative officer, is appointed by and serves at the pleasure of the Council and is responsible for carrying out the policies and ordinances of the Council and administering the daily operations and programs of the City through appointed department heads and staff members.

The City provides a wide range of services for its citizens, including law enforcement, fire prevention and suppression, planning and developmental services, solid waste and recycling collection, street maintenance, public cemeteries, airport operations, cultural and recreational activities, general administration, and public housing. In addition to these general government activities, the City provides and maintains water, sewer, electric, and natural gas utilities for the benefit of its citizens. This report includes all of the City's fiscal activities in maintaining these services. The City also extends financial support to certain boards, agencies and commissions to assist their efforts in serving citizens. Among these are the Cleveland County Arts Council, Destination Cleveland County, Chamber of Commerce, Foothills Economic Development Corporation and the Uptown Shelby Association.

The annual budget serves as the foundation for the City of Shelby's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager who is also the City's Budget Officer. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed

budget to the Council for review. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department. The City Manager is authorized to make transfers of appropriation within a department he believes necessary. The City Manager is also authorized to make interdepartmental transfers in the same fund, as long as the transfer is less than ten percent of the appropriated monies for the department whose allocation is being reduced. Interdepartmental transfers of more than ten percent or interfund transfers require Council authorization. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this is part of the basic financial statements. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules sections. Also included are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Shelby operates.

**Local economy.** Located in the middle of the County, the City is situated between two of the largest metropolitan areas of the Carolinas – the Charlotte region and the Greenville/Spartanburg region. Four-lane US Highway 74 transects the County and provides direct access to Charlotte and Asheville, four interstate highways, and four major seaports. The City's proximity to Charlotte, the region's commercial, financial and trucking center, also provides access to one of the nation's largest international airports.

The County has a diverse industrial base with no dependence on any one industry. Products manufactured in the County include textiles, fiberglass, paper products, truck cabs, transmissions, aircraft parts, metal fabrication, electric motors, military armor and production equipment. Large manufacturers with facilities located in the County include PPG Industries, Clearwater Paper Corporation, Ultra Machine & Fabrication, Schletter Incorporated, KSM Castings Group, Specialty Lighting and FAS Controls. Several of these are located inside the City and most of these industries are served by at least one of the City's utilities. The City is served by Cleveland Regional Medical Center, a 240 bed medical facility with approximately 1,000 employees that is one of the City's top five utility customers. The availability of an educated work force is always a concern to any new business or industry desiring to locate within the County. Vocational education programs offered through the public schools, Cleveland Community College, and Gardner Webb University support job training in the County.

The City continues to develop and market the Foothills Commerce Center in Shelby. This 152 acre business park partnership with Cleveland County ensures the availability of a quality economic development product that is being effectively marketed to both new and existing industry. The City Foothills Commerce Center was awarded the designation as a "Certified

Business Park". Ultimately this designation lets potential industrial clients know that the City has completed the upfront due diligence on the site.

Job Ready Shell Building #2 has been constructed in the Foothills Commerce Center and is under contract to be sold in October 2015. This is a 100,000 sq. feet facility that is easily expandable to double the existing footage. The City has received excellent response to the Foothills Commerce Center and expects this to continue with Shell Building #2.

KSM Castings has constructed an 110,000 sq. foot facility in west Shelby, which includes an anticipated investment of \$45 million. Additionally, KSM plans to employ up to 189 new employees at the facility over the next 5 years. KSM has annexed into the City and will be a utility customer of the City. KSM Castings manufactures aluminum products for the automotive industry.

Greenheck Fan Corporation has invested approximately \$33 million in a facility that will create approximately 184 jobs over the next 4 years in Shelby and Cleveland County. Greenheck will be a City utility customer and has annexed into the City. Greenheck manufactures equipment that moves and controls air for commercial and industrial climate control systems.

The City continues to see an increase in smaller retail activity, which is an indication that the economic market is continuing to improve and recover from the recession of the past several years.

**Long-term financial planning.** The City of Shelby completed a Strategic Growth Plan in FY 2005, adopted by City Council in FY 2006. The strategic plan identified key quality of life issues that the City will focus its efforts on over the next 10 years. These issues range from community appearance to economic development to infrastructure. These issues are expected to have a financial component that will help the City determine budget priorities for future years.

The City Council approved the Center City Master Plan in FY 07. The report is the product of a successful partnership led by the City of Shelby with substantial assistance from the Uptown Shelby Association, Destination Cleveland County, and many citizens and stakeholders from the community. The plan will serve as a flexible blueprint for the future. It will be a way to channel investment, build community pride and focus, and help organizations understand how their role in the community relates to others.

In FY 2009 the City Council approved a Comprehensive Parks and Recreation Master Plan. The plan will provide a framework for guiding the City in both its current evaluation, and long-range planning for the parks and recreation system for the City. The plan also makes recommendations for addition or renovations of park and recreational facilities, as well as recommendation on programs. A key objective of the comprehensive plan was the solicitation of community input helping identify the needs of the City's park and recreation system.

**Financial Information.** The budget is an integral part of a local government's accounting system and daily operations. The City, in accordance with North Carolina General Statutes, operates its financial systems under an act known as the "Local Government Budget and Fiscal Control Act" (LGBFCA) which provides extensive budgetary controls. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Multi-year capital project budget ordinances are authorized for projects that extend into two or more fiscal years. The level of budgetary control is at the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintain budgetary control. Encumbrance amounts lapse at year-end but are re-appropriated as part of the following year's budget.

In accordance with the LGBFCA, the City's budget is prepared on the modified accrual basis; and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a fund liability is incurred, except for un-matured principal and interest on long-term debt and certain compensated absences, claims and judgments. Governmental fund types are reported on the modified accrual basis in the fund financial statements. The Proprietary Funds are reported on the full accrual basis in the financial statements, under which revenues are recorded when earned and expenditures are recorded when incurred. The City regularly reviews revenues and expenditures throughout the fiscal year.

The City is required by the LGBFCA to have an annual independent financial audit. A compliance audit on federal and state financial assistance programs is also required under the federal Single Audit Act of 1984 and the State Single Audit Implementation Act of 1987, and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting this audit. The auditors' report on the basic financial statements, fund statements, and schedules are included in the Financial Section of this report. The auditors' reports required as part of a single audit are found in the Compliance Section of this report.

### **Budget Highlights for FY 2016**

The City tax rate of 43.5 cents remains the same for FY 2016. Budgeted expenditures in the General Fund are expected to increase modestly to \$20,066,593 in FY 2016. The City's water rates had no increase and sewer rates had an increase of 6% for FY 2016. The City electric rates were not increased in FY 2016. The City will remain on the margin-based rate structure implemented in July 2001 for its Gas Fund. The margins will not increase in FY 2016.

In FY 15 the City entered into a financing agreement for the purchase of rolling stock, the loan proceeds received amounted to \$1,859,433. The loan term is 59 months with annual payments, beginning March 2016, with an interest rate of 1.55 percent.

## AWARDS AND ACKNOWLEDGMENTS

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shelby for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to thank the Mayor and members of City Council for their support and interest in planning and conducting the financial operations of the City in a responsible and progressive manner. We also thank them for the trust they have given City administration. The preparation of this report has been accomplished through the dedicated efforts of the Finance Department staff and the assistance of the independent auditors, Martin Starnes and Associates, CPA's, P.A. We would like to express our appreciation to all personnel who assisted and contributed to the preparation of this report.

Respectfully submitted,



Rick Howell  
City Manager



Justin S. Merritt  
Finance Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Shelby  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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City of Shelby, North Carolina

List of Principal Officials  
June 30, 2015

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*Elected Officials*

Oliver Stanhope Anthony, III  
*Mayor*

Eric B. Hendrick

Dicky Amaya  
*Mayor Pro Tem*

Dennis C. Bailey

David W. White

Jeanette D. Patterson

Ben U. Kittrell

*City Administration*

Rick Howell  
*City Manager*

Justin S. Merritt  
*Director of Finance*

Bernadette A. Parduski  
*City Clerk*

Julie R. McMurry  
*Interim Director of Utilities*

Deborah Jolly  
*Director of Human Resources*

Jeff Ledford  
*Police Chief*

Charles K. Holtzclaw  
*Director of Parks & Recreation*

Daniel C. Darst  
*Director of Public Works*

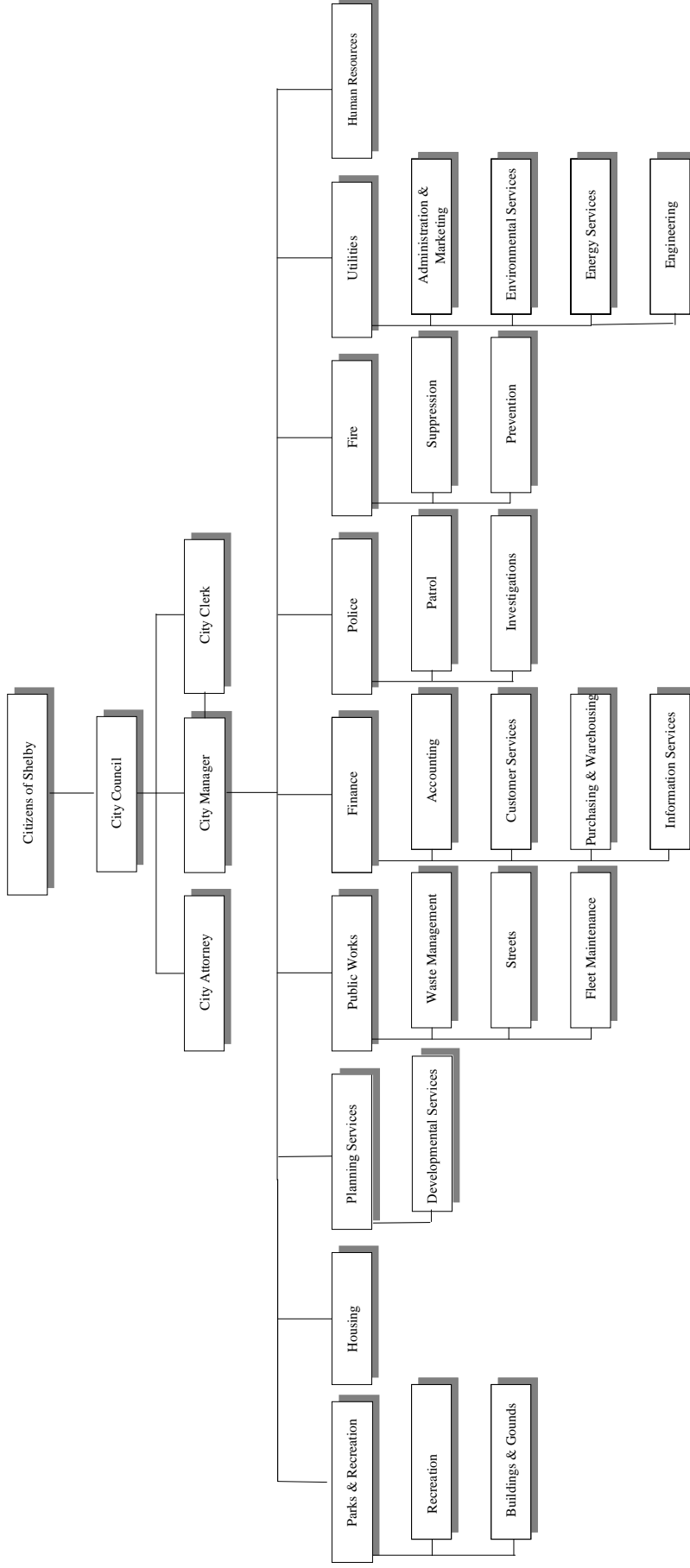
William P. Hunt  
*Fire Chief*

Bryan T. Howell  
*Director of Housing*

Walter Scharer, AICP  
*Director of Planning & Development Services*

Robert W. (Bob) Yelton  
*City Attorney*

# City of Shelby Organization Chart







# FINANCIAL SECTION



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Shelby, North Carolina

### **Report On the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shelby, North Carolina, as of and for the year ended June 30, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Shelby, North Carolina, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefits Schedule of Funding Progress and Schedule of Employer Contributions, and the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Asset and Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Shelby's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in



accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of basic financial statements and; accordingly, we do not express an opinion or provide assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the City of Shelby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Shelby's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 30, 2015



## Management's Discussion and Analysis

As management of the City of Shelby, we offer readers of the City of Shelby's financial statements this narrative overview and analysis of the financial activities of the City of Shelby for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

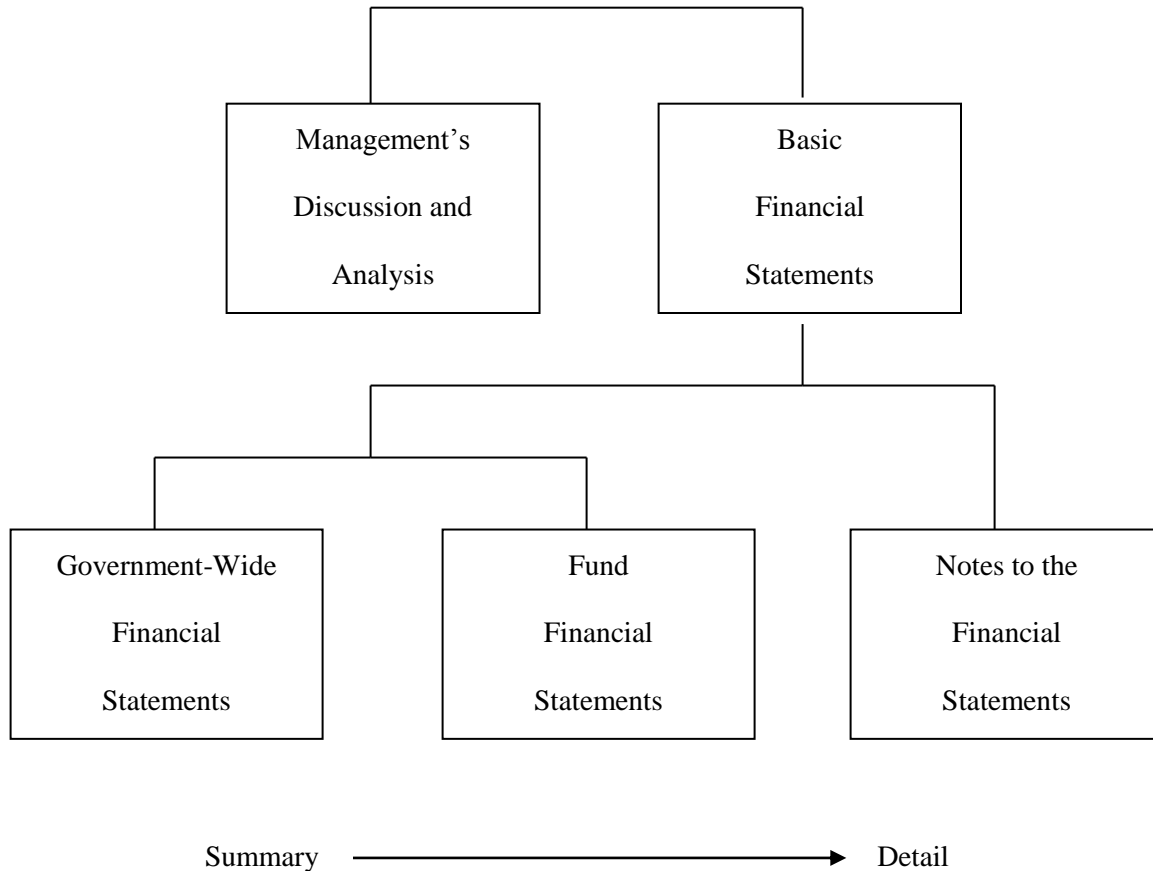
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$134,496,689 (*net position*).
- The government's total net position increased by \$2,862,234, due to an increase of \$2,824,229 in governmental activities net position and an increase of \$38,005 in business-type activities net position.
- As of the close of the current fiscal year, the City of Shelby's governmental funds reported combined ending fund balances of \$11,324,982, with a net increase in fund balance of \$1,525,893. Approximately 51.9 percent of this total amount, or \$5,879,366, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,266,646, or 20.4% percent, of total General Fund expenditures and transfers out for the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Shelby's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Shelby.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through I) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. Following the notes is the **Required Supplemental Information**. This section contains funding information about the City's pension plans.

After the notes, **Supplemental Information** is provided to show details about the City's funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position are the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) the component unit. The governmental activities include most of the City's basic services, such as public safety, parks and recreation, and general administration. Property taxes, local option sales tax, and Federal and State grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer, electric, natural gas, and housing assistance services offered by the City of Shelby. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City, because the City exercises control over the Board by appointing its members, and because the Board is required to distribute its profits to the City.

The government-wide financial statements are on Exhibits A and B of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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 of Shelby, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Shelby can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Shelby maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Shelby adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** The City of Shelby has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Shelby uses enterprise funds to account for its water, sewer, electric, natural gas, and stormwater operations, as well as its housing assistance program which the U.S. Department of Housing and Urban Development requires to be accounted for in an Enterprise Fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit I of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Shelby's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on Schedule A-1 of this report.

**Interdependence with Other Entities.** The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

**City of Shelby's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current/other assets	\$ 13,248,297	\$ 10,664,917	\$ 27,099,525	\$ 29,620,941	\$ 40,347,822	\$ 40,285,858
Capital assets	37,798,701	36,150,569	102,303,882	93,097,005	140,102,583	129,247,574
Total assets	<u>51,046,998</u>	<u>46,815,486</u>	<u>129,403,407</u>	<u>122,717,946</u>	<u>180,450,405</u>	<u>169,533,432</u>
<b>Deferred outflows of resources</b>	<u>662,710</u>	<u>-</u>	<u>770,977</u>	<u>623,437</u>	<u>1,433,687</u>	<u>623,437</u>
<b>Total assets and deferred outflows of resources</b>	<u>51,709,708</u>	<u>46,815,486</u>	<u>130,174,384</u>	<u>123,341,383</u>	<u>181,884,092</u>	<u>170,156,869</u>
<b>Liabilities:</b>						
Long-term liabilities	6,529,162	5,504,888	28,158,057	22,919,754	34,687,219	28,424,642
Other liabilities	1,835,338	1,824,304	7,659,341	6,397,893	9,494,679	8,222,197
Total liabilities	<u>8,364,500</u>	<u>7,329,192</u>	<u>35,817,398</u>	<u>29,317,647</u>	<u>44,181,898</u>	<u>36,646,839</u>
<b>Deferred inflows of resources</b>	<u>2,493,882</u>	<u>-</u>	<u>711,623</u>	<u>-</u>	<u>3,205,505</u>	<u>-</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>10,858,382</u>	<u>7,329,192</u>	<u>36,529,021</u>	<u>29,317,647</u>	<u>47,387,403</u>	<u>36,646,839</u>
<b>Net Position:</b>						
Net investment in capital assets	34,486,397	33,394,329	72,258,784	68,474,999	106,745,181	101,869,328
Restricted	5,448,437	5,076,751	-	-	5,448,437	5,076,751
Unrestricted	916,492	1,015,214	21,386,579	25,548,737	22,303,071	26,563,951
Total net position	<u>\$ 40,851,326</u>	<u>\$ 39,486,294</u>	<u>\$ 93,645,363</u>	<u>\$ 94,023,736</u>	<u>\$ 134,496,689</u>	<u>\$ 133,510,030</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Shelby exceeded liabilities and deferred inflows by \$134,496,689 as of June 30, 2015. The City's net position increased by \$2,862,234 for the fiscal year ended June 30, 2015. The City's net position also reflects the net investment in capital assets (e.g., land, buildings, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Shelby uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Shelby's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$5,448,437, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$22,303,071 is unrestricted. Also, the City of Shelby implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement

to record the effects of the new reporting guidance decreased beginning net position by \$1,875,575. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Shelby's management.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.96%
- Increase in charges for services and grants and contributions increased revenues in the current year



**City of Shelby's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,191,677	\$ 2,452,996	\$ 51,197,509	\$ 50,319,643	\$ 53,389,186	\$ 52,772,639
Operating grants and contributions	1,548,569	1,353,783	591,568	562,273	2,140,137	1,916,056
Capital grants and contributions	854,472	1,730,501	165,918	1,575,827	1,020,390	3,306,328
General revenues:						
Property taxes	8,315,510	8,017,228	-	-	8,315,510	8,017,228
Other taxes	4,912,103	4,484,287	-	-	4,912,103	4,484,287
Gain on sale of assets	-	-	-	-	-	-
Investment earnings	143,236	186,032	26,540	159,494	169,776	345,526
Total revenues	<u>17,965,567</u>	<u>18,224,827</u>	<u>51,981,535</u>	<u>52,617,237</u>	<u>69,947,102</u>	<u>70,842,064</u>
<b>Expenses:</b>						
General government	2,605,416	2,583,788	-	-	2,605,416	2,583,788
Public safety	10,075,143	10,101,261	-	-	10,075,143	10,101,261
Transportation	3,101,499	3,192,813	-	-	3,101,499	3,192,813
Environmental protection	1,639,802	1,699,976	-	-	1,639,802	1,699,976
Culture and recreational	2,294,806	2,353,678	-	-	2,294,806	2,353,678
Housing and redevelopment	996,533	1,133,101	-	-	996,533	1,133,101
Interest on long-term debt	11,692	40,898	-	-	11,692	40,898
Water	-	-	3,895,959	3,932,188	3,895,959	3,932,188
Sewer	-	-	4,256,832	4,441,454	4,256,832	4,441,454
Electric	-	-	21,973,883	19,892,141	21,973,883	19,892,141
Gas	-	-	14,717,491	14,512,088	14,717,491	14,512,088
Gas	-	-	294,418	-	294,418	-
Housing assistance	-	-	1,221,394	1,206,670	1,221,394	1,206,670
Total expenses	<u>20,724,891</u>	<u>21,105,515</u>	<u>46,359,977</u>	<u>43,984,541</u>	<u>67,084,868</u>	<u>65,090,056</u>
Increase (decrease) in net position before transfers	(2,759,324)	(2,880,688)	5,621,558	8,632,696	2,862,234	5,752,008
Transfers in (out)	<u>5,583,553</u>	<u>3,215,000</u>	<u>(5,583,553)</u>	<u>(3,215,000)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	2,824,229	334,312	38,005	5,417,696	2,862,234	5,752,008
<b>Net Position:</b>						
Beginning of year - July 1	39,486,294	39,151,982	94,023,736	88,606,040	133,510,030	127,758,022
Prior period adjustment	<u>(1,459,197)</u>	<u>-</u>	<u>(416,378)</u>	<u>-</u>	<u>(1,875,575)</u>	<u>-</u>
Beginning of year - July 1, as restated	<u>38,027,097</u>	<u>39,151,982</u>	<u>93,607,358</u>	<u>88,606,040</u>	<u>131,634,455</u>	<u>127,758,022</u>
End of year -June 30	<u>\$ 40,851,326</u>	<u>\$ 39,486,294</u>	<u>\$ 93,645,363</u>	<u>\$ 94,023,736</u>	<u>\$ 134,496,689</u>	<u>\$ 133,510,030</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$2,824,229. Key elements of this increase are as follows:

- Increase in charges for services and operating grants and contributions revenues in the current year
- Increases in local option sales tax and franchise tax revenues in the current year
- Transfers from the Gas Fund and Electric Fund for returns on the City's investment

**Business-Type Activities.** Business-type activities increased the City of Shelby's net position by \$38,005. Key elements of this increase are as follows:

- Increase in capital grants and contributions revenue which were used in capital acquisitions and construction-in-progress in the current year
- New industrial customers increased the City's customer base and utility revenues
- Outflows of cash, in the approximate amount of \$1,000,000 in the Sewer Fund, will be reimbursed through debt proceeds in fiscal year 2016

### **Financial Analysis of the City's Funds**

As noted earlier, the City of Shelby uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Shelby's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Shelby's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Shelby. At the end of the current fiscal year, fund balance available in the General Fund was \$5,589,189, while total fund balance reached \$8,923,797. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 26.69% of total General Fund expenditures and transfers to other funds, while total fund balance represents 42.62% of that same amount.

At June 30, 2015, the governmental funds of the City of Shelby reported a combined fund balance of \$11,324,982, an increase of \$1,525,893 over last year. The primary reason for this increase is due to increased collections of property tax revenues, sales tax revenues, utility sales tax revenues and the receipt of installment debt proceeds. A portion of the installment debt proceeds, approximately \$883,000, will be used to purchase a 75' ladder quint fire apparatus, which will not be delivered until fiscal year 2016.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available, 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by approximately \$16,428 (.11%). Amendments were necessary due to conservatism used in compiling the original budget and economic changes.

**Proprietary Funds.** The City of Shelby’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position for the major enterprise funds at the fiscal year-end in the Water Fund was \$4,985,291; in the Sewer Fund was \$202,770; in the Electric Fund was \$5,704,645; and in the Gas Fund was \$8,146,684. Factors of these funds have already been addressed in the discussion of the City of Shelby’s business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Shelby’s capital assets for its governmental and business–type activities as of June 30, 2015 totaled \$140,102,583 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Transfer of assets from construction in progress to depreciable assets for the Shell Building #2 of \$2,948,745
- Transfer of assets from construction in progress to depreciable assets for the Foothills Commerce Center Roads Phase II of \$451,020
- Transfer of assets from construction in progress to depreciable assets for the KSM Sewer Line Relocation of \$275,850
- Transfer of assets from construction in progress to depreciable assets for the Artee/Washburn Road Water Line Relocation of \$360,416
- Transfer of assets from construction in progress to depreciable assets for the Artee Sewer Line Relocation of \$176,011
- Construction in progress of the 1st Broad Wastewater Treatment Plant Upgrades of \$7,408,108
- Construction in progress of the City Pavilion of \$830,373
- Construction in progress of the Wastewater Outfall Line Improvement Project of \$2,970,199
- Construction in progress of the Airport RPZ Land & Easements Project of \$289,384
- Construction of the Brushy Creek Sewer Outfall Project of \$179,996

**City of Shelby’s Capital Assets  
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 5,014,681	\$ 5,014,681	\$ 521,983	\$ 515,230	\$ 5,536,664	\$ 5,529,911
Buildings and systems	16,698,147	13,412,976	142,874,671	97,012,436	159,572,818	110,425,412
Improvements other than buildings	11,885,309	10,899,183	724,838	42,765,864	12,610,147	53,665,047
Machinery and Equipment	7,790,274	7,491,615	6,069,403	5,779,840	13,859,677	13,271,455
Infrastructure	11,484,875	11,484,875	-	-	11,484,875	11,484,875
Vehicles and motorized equipment	8,849,308	8,542,596	3,084,444	2,938,343	11,933,752	11,480,939
Construction in progress	<u>2,517,646</u>	<u>4,140,386</u>	<u>10,773,243</u>	<u>2,365,115</u>	<u>13,290,889</u>	<u>6,505,501</u>
Subtotal	64,240,240	60,986,312	164,048,582	151,376,828	228,288,822	212,363,140
Less: accumulated depreciation	<u>(26,441,539)</u>	<u>(24,835,743)</u>	<u>(61,744,700)</u>	<u>(58,279,823)</u>	<u>(88,186,239)</u>	<u>(83,115,566)</u>
Capital assets, net	<u>\$37,798,701</u>	<u>\$36,150,569</u>	<u>\$102,303,882</u>	<u>\$93,097,005</u>	<u>\$140,102,583</u>	<u>\$129,247,574</u>

Additional information on the City's capital assets can be found in Note 2.A. of the basic financial statements located on pages 42-48.

**City of Shelby's Outstanding Debt  
Long-Term Debt  
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Installment purchase notes	\$ 3,312,304	\$ 2,756,240	\$ 10,164,600	\$ 2,021,676	\$ 13,476,904	\$ 4,777,916
Revenue bonds	-	-	20,462,373	23,223,767	20,462,373	23,223,767
Compensated absences	912,210	958,623	209,578	220,861	1,121,788	1,179,484
Net pension obligation	648,660	530,551	-	-	648,660	530,551
Other post-employment benefits	2,819,495	2,458,343	802,945	702,046	3,622,440	3,160,389
Total	<u>\$ 7,692,669</u>	<u>\$ 6,703,757</u>	<u>\$ 31,639,496</u>	<u>\$ 26,168,350</u>	<u>\$ 39,332,165</u>	<u>\$ 32,872,107</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Shelby is approximately \$111,184,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 49-56 of this audited financial report.

**Economic Factors and Next Year's Budgets and Rates**

- The State of North Carolina unemployment numbers changed from 6.4% in June 2014 to 5.8% in June 2015. Cleveland County's numbers changed from 6.8% in June 2014 to 6.6% in June 2015.
- KSM Castings Group, a company that manufactures automotive components, has constructed a 110,000 sq. feet facility and invest approximately \$45 million in its Shelby facility. KSM is on track to employ 120 employees by December 2015. KSM has annexed into the City and is being served by City utilities.
- The City of Shelby and Cleveland County have completed construction of Job Ready Shell Building #2 in the Foothills Commerce Center. This 100,000 sq. feet facility is under contract and the sale should be completed in October 2015

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities.** The City tax rate of 43.5 cents remains the same for FY 2016. Budgeted expenditures in the General Fund are expected to increase modestly to \$20,066,593 in FY 2016. This increase is largely due to the planned personnel adjustments and the purchase of various pieces of equipment, which will be financed over a period of 59 months.

**Business-Type Activities.** The City's sewer rates had increases of 6%, across all service types, for FY 2016. The City will remain on the margin-based rate structure implemented in July 2001 with its Gas Fund. The margins will not increase in FY 2016.

## **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Shelby, PO Box 207, Shelby, North Carolina 28151.





## **BASIC FINANCIAL STATEMENTS**

The basic financial statements for the City of Shelby consist of both government-wide and fund financial statements.





## CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 6,767,514	\$ 18,344,802	\$ 25,112,316	\$ 329,076
Taxes receivable, net	273,802	-	273,802	-
Accounts receivable, net	644,562	5,810,415	6,454,977	-
Loans receivable	58,804	-	58,804	-
Interest receivable	17,988	-	17,988	-
Due from other governments	2,444,809	320,915	2,765,724	-
Internal balances	62,036	(62,036)	-	-
Inventories	139,491	1,747,649	1,887,140	634,290
Prepaid items	232,634	37,815	270,449	6,429
Total current assets	10,641,640	26,199,560	36,841,200	969,795
Non-current assets:				
Cash and cash equivalents, restricted	1,614,912	616,973	2,231,885	-
Net pension asset	991,745	282,992	1,274,737	18,163
Capital assets, non-depreciable	7,532,327	11,295,226	18,827,553	182,567
Capital assets, net	30,266,374	91,008,656	121,275,030	122,823
Total non-current assets	40,405,358	103,203,847	143,609,205	323,553
Total assets	51,046,998	129,403,407	180,450,405	1,293,348
<b>Deferred Outflows of Resources:</b>				
Contributions to pension plan in current fiscal year	662,710	189,102	851,812	25,983
Deferred charge on refunding	-	581,875	581,875	-
Total deferred outflows of resources	662,710	770,977	1,433,687	25,983
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	649,891	3,399,827	4,049,718	267,466
Accrued interest payable	14,063	148,157	162,220	-
Due to other governments	1,200	-	1,200	-
Unearned revenue	-	12,945	12,945	-
Other liabilities	6,677	-	6,677	-
Liabilities to be paid from restricted assets	-	616,973	616,973	-
Current portion of long-term liabilities	1,163,507	3,481,439	4,644,946	-
Total current liabilities	1,835,338	7,659,341	9,494,679	267,466
Long-term liabilities:				
Due in more than one year	6,529,162	28,158,057	34,687,219	-
Total liabilities	8,364,500	35,817,398	44,181,898	267,466
<b>Deferred Inflows of Resources:</b>				
Pension deferrals	2,493,882	711,623	3,205,505	44,271
Total deferred inflows of resources	2,493,882	711,623	3,205,505	44,271
<b>Net Position:</b>				
Net investment in capital assets	34,486,397	72,258,784	106,745,181	305,390
Restricted for:				
Stabilization by State statute	3,669,797	-	3,669,797	-
Perpetual	764,022	-	764,022	-
Public safety	163,728	-	163,728	-
Streets - Powell Bill	850,890	-	850,890	-
Working capital	-	-	-	116,648
Unrestricted	916,492	21,386,579	22,303,071	585,556
Total net position	\$ 40,851,326	\$ 93,645,363	\$ 134,496,689	\$ 1,007,594

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

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 2,605,416	\$ 402,042	\$ 67,429	\$ -
Public safety	10,075,143	13,717	1,143,239	-
Transportation	3,101,499	288,972	20,000	360,191
Environmental protection	1,639,802	1,184,457	-	-
Cultural and recreation	2,294,806	302,489	-	-
Housing and redevelopment	996,533	-	317,901	494,281
Interest on long-term debt	11,692	-	-	-
Total governmental activities	<u>20,724,891</u>	<u>2,191,677</u>	<u>1,548,569</u>	<u>854,472</u>
<b>Business-Type Activities:</b>				
Water Fund	3,895,959	4,849,318	85,265	-
Sewer Fund	4,256,832	5,081,794	34,857	-
Electric Fund	21,973,883	22,286,326	-	-
Gas Fund	14,717,491	17,591,400	9,894	-
Stormwater Fund	294,418	795,932	-	-
Housing Assistance Fund	1,221,394	592,739	461,552	165,918
Total business-type activities	<u>46,359,977</u>	<u>51,197,509</u>	<u>591,568</u>	<u>165,918</u>
Total primary government	<u>\$ 67,084,868</u>	<u>\$ 53,389,186</u>	<u>\$ 2,140,137</u>	<u>\$ 1,020,390</u>
<b>Component Unit:</b>				
City of Shelby ABC Board	<u>\$ 3,037,626</u>	<u>\$ 3,037,625</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (2,135,945)	\$ -	\$ (2,135,945)	\$ -
Public safety	(8,918,187)	-	(8,918,187)	-
Transportation	(2,432,336)	-	(2,432,336)	-
Environmental protection	(455,345)	-	(455,345)	-
Cultural and recreation	(1,992,317)	-	(1,992,317)	-
Housing and redevelopment	(184,351)	-	(184,351)	-
Interest on long-term debt	(11,692)	-	(11,692)	-
Total governmental activities	<u>(16,130,173)</u>	<u>-</u>	<u>(16,130,173)</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water Fund	-	1,038,624	1,038,624	-
Sewer Fund	-	859,819	859,819	-
Electric Fund	-	312,443	312,443	-
Gas Fund	-	2,883,803	2,883,803	-
Stormwater Fund	-	501,514	501,514	-
Housing Assistance Fund	-	(1,185)	(1,185)	-
Total business-type activities	<u>-</u>	<u>5,595,018</u>	<u>5,595,018</u>	<u>-</u>
Total primary government	<u>(16,130,173)</u>	<u>5,595,018</u>	<u>(10,535,155)</u>	<u>-</u>
<b>Component Unit:</b>				
City of Shelby ABC Board	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
<b>General Revenues:</b>				
Taxes				
Property tax	8,315,510	-	8,315,510	-
Sales tax	2,979,877	-	2,979,877	-
Franchise tax	1,834,935	-	1,834,935	-
Other taxes	97,291	-	97,291	-
Investment earnings	143,236	26,540	169,776	303
Total general revenues, not including transfers	<u>13,370,849</u>	<u>26,540</u>	<u>13,397,389</u>	<u>303</u>
Transfers	<u>5,583,553</u>	<u>(5,583,553)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>18,954,402</u>	<u>(5,557,013)</u>	<u>13,397,389</u>	<u>303</u>
Change in net position	<u>2,824,229</u>	<u>38,005</u>	<u>2,862,234</u>	<u>302</u>
<b>Net Position:</b>				
Beginning of year - July 1	39,486,294	94,023,736	133,510,030	1,026,855
Prior period adjustment	<u>(1,459,197)</u>	<u>(416,378)</u>	<u>(1,875,575)</u>	<u>(19,563)</u>
Beginning year - July 1, as restated	<u>38,027,097</u>	<u>93,607,358</u>	<u>131,634,455</u>	<u>1,007,292</u>
End of year - June 30	<u>\$ 40,851,326</u>	<u>\$ 93,645,363</u>	<u>\$ 134,496,689</u>	<u>\$ 1,007,594</u>

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 5,350,603	\$ 1,416,911	\$ 6,767,514
Receivables, net:			
Taxes	262,379	11,423	273,802
Accounts	626,408	18,154	644,562
Interest	16,833	1,155	17,988
Loans	-	58,804	58,804
Due from other funds	562,438	-	562,438
Due from other governments	1,756,804	688,005	2,444,809
Inventories	139,491	-	139,491
Prepaid items	232,634	-	232,634
Restricted cash and cash equivalents	850,890	764,022	1,614,912
	<u>9,798,480</u>	<u>2,958,474</u>	<u>12,756,954</u>
Total assets	\$ 9,798,480	\$ 2,958,474	\$ 12,756,954
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 605,627	\$ 44,264	\$ 649,891
Due to other funds	-	500,402	500,402
Due to other governments	-	1,200	1,200
Other liabilities	6,677	-	6,677
Total liabilities	<u>612,304</u>	<u>545,866</u>	<u>1,158,170</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>262,379</u>	<u>11,423</u>	<u>273,802</u>
Total deferred inflows of resources	<u>262,379</u>	<u>11,423</u>	<u>273,802</u>
<b>Fund Balances:</b>			
Non-spendable:			
Inventories	139,491	-	139,491
Prepays	232,634	-	232,634
Perpetual	-	764,022	764,022
Long-term portion of loans receivable	-	58,804	58,804
Restricted:			
Stabilization by State statute	2,962,483	707,314	3,669,797
Public safety	-	163,728	163,728
Streets - Powell Bill	850,890	-	850,890
Committed:			
Capital projects	-	804,001	804,001
Assigned:			
Subsequent year's expenditures	471,653	-	471,653
Economic development	-	416,187	416,187
Unassigned	4,266,646	(512,871)	3,753,775
Total fund balances	<u>8,923,797</u>	<u>2,401,185</u>	<u>11,324,982</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,798,480	\$ 2,958,474	\$ 12,756,954

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 11,324,982
Net pension asset	991,745
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	662,710
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	37,798,701
Deferred inflows of resources in the governmental funds are used to offset accounts receivable not expected to be received within 90 days of year-end.	273,802
Pension related deferrals	(2,493,882)
Long-term liabilities, interest payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,706,732)</u>
Net position of governmental activities per Exhibit A	<u>\$ 40,851,326</u>

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

## CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 8,193,990	\$ 103,588	\$ 8,297,578
Other taxes and licenses	2,979,877	-	2,979,877
Unrestricted intergovernmental	2,006,777	-	2,006,777
Restricted intergovernmental	847,572	1,084,995	1,932,567
Permits and fees	231,717	-	231,717
Sales and services	1,783,429	-	1,783,429
Investment earnings	128,840	14,396	143,236
Donations	-	60,984	60,984
Miscellaneous	356,728	143,481	500,209
Total revenues	<u>16,528,930</u>	<u>1,407,444</u>	<u>17,936,374</u>
<b>Expenditures:</b>			
Current:			
General government	3,304,156	280	3,304,436
Public safety	9,655,601	69,990	9,725,591
Transportation	2,855,986	716,430	3,572,416
Environmental protection	1,730,220	-	1,730,220
Cultural and recreation	2,158,460	-	2,158,460
Housing and redevelopment	-	2,057,130	2,057,130
Debt service:			
Principal retirement	958,869	-	958,869
Interest and other charges	13,106	-	13,106
Total expenditures	<u>20,676,398</u>	<u>2,843,830</u>	<u>23,520,228</u>
Revenues over (under) expenditures	<u>(4,147,468)</u>	<u>(1,436,386)</u>	<u>(5,583,854)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	3,885,000	3,098,020	6,983,020
Transfers to other funds	(263,467)	(1,136,000)	(1,399,467)
Long-term debt issued	1,514,933	-	1,514,933
Proceeds from sale of capital assets	11,261	-	11,261
Total other financing sources (uses)	<u>5,147,727</u>	<u>1,962,020</u>	<u>7,109,747</u>
Net change in fund balances	<u>1,000,259</u>	<u>525,634</u>	<u>1,525,893</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	7,923,538	1,809,128	9,732,666
Restatement	-	66,423	66,423
Beginning of year - July 1, as restated	<u>7,923,538</u>	<u>1,875,551</u>	<u>9,799,089</u>
End of year - June 30	<u>\$ 8,923,797</u>	<u>\$ 2,401,185</u>	<u>\$ 11,324,982</u>

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

## CITY OF SHELBY, NORTH CAROLINA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,525,893
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	17,932
Expenses related to compensated absences, OPEB, and Law Enforcement Officers' Separation Allowance that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(432,848)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	3,253,928
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	662,710
The issuance of long-term debt is reported as revenue in the governmental funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(1,514,933)
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,605,796)
Change in accrued interest payable, governmental fund debt	1,414
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:</p>	
Pension expense	(42,940)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>958,869</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 2,824,229</u>

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

## CITY OF SHELBY, NORTH CAROLINA

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 7,635,000	\$ 7,635,004	\$ 8,193,990	\$ 558,986
Other taxes and licenses	2,850,500	2,850,500	2,979,877	129,377
Unrestricted intergovernmental	1,710,000	1,710,000	2,006,777	296,777
Restricted intergovernmental	835,700	860,824	847,572	(13,252)
Permits and fees	160,300	160,300	231,717	71,417
Sales and services	1,898,650	1,889,950	1,783,429	(106,521)
Investment earnings	65,000	65,000	128,840	63,840
Miscellaneous	296,500	296,500	356,728	60,228
Total revenues	<u>15,451,650</u>	<u>15,468,078</u>	<u>16,528,930</u>	<u>1,060,852</u>
<b>Expenditures:</b>				
Current:				
General government	2,364,661	3,391,396	3,304,156	87,240
Public safety	10,152,145	10,576,035	9,655,601	920,434
Transportation	3,188,686	3,770,853	2,855,986	914,867
Environmental protection	1,793,694	1,743,916	1,730,220	13,696
Cultural and recreation	2,098,463	2,172,285	2,158,460	13,825
Debt service:				
Principal retirement	911,000	923,000	958,869	(35,869)
Interest and other charges	50,700	50,300	13,106	37,194
Total expenditures	<u>20,559,349</u>	<u>22,627,785</u>	<u>20,676,398</u>	<u>1,951,387</u>
Revenues over (under) expenditures	<u>(5,107,699)</u>	<u>(7,159,707)</u>	<u>(4,147,468)</u>	<u>3,012,239</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,935,000	3,885,000	3,885,000	-
Transfers (to) other funds	(47,000)	(263,467)	(263,467)	-
Long-term debt issued	1,514,933	1,514,933	1,514,933	-
Proceeds from sale of capital assets	20,000	20,000	11,261	(8,739)
Appropriated fund balance	684,766	2,003,241	-	(2,003,241)
Total other financing sources (uses)	<u>5,107,699</u>	<u>7,159,707</u>	<u>5,147,727</u>	<u>(2,011,980)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,000,259	<u>\$ 1,000,259</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>7,923,538</u>	
End of year - June 30			<u>\$ 8,923,797</u>	

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



## CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Major Enterprise Funds					Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Nonmajor Funds	
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 4,418,972	\$ 1,104,463	\$ 3,700,146	\$ 6,720,852	\$ 2,400,369	\$ 18,344,802
Accounts receivable, net	772,128	872,914	3,354,742	724,118	86,513	5,810,415
Due from other funds	-	-	-	940,000	-	940,000
Due from other governments	8,816	303,885	-	8,214	-	320,915
Inventories	326,354	106,636	840,124	473,278	1,257	1,747,649
Prepaid items	10,422	9,955	5,250	10,606	1,582	37,815
Total current assets	5,536,692	2,397,853	7,900,262	8,877,068	2,489,721	27,201,596
Non-current assets:						
Net pension asset	65,012	70,111	50,989	70,111	26,769	282,992
Restricted cash and cash equivalents	44,932	45,102	277,480	209,680	39,779	616,973
Capital assets, non-depreciable	224,068	10,631,651	87,089	64,665	287,753	11,295,226
Capital assets, net	22,793,744	30,181,833	18,088,049	15,059,456	4,885,574	91,008,656
Total non-current assets	23,127,756	40,928,697	18,503,607	15,403,912	5,239,875	103,203,847
Total assets	28,664,448	43,326,550	26,403,869	24,280,980	7,729,596	130,405,443
<b>Deferred Outflows of Resources:</b>						
Contributions to pension plan in current fiscal year						
	43,442	46,850	34,072	46,850	17,888	189,102
Advance refunding bond issue	242,538	76,819	197,407	65,111	-	581,875
Total deferred outflows of resources	285,980	123,669	231,479	111,961	17,888	770,977
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	184,513	854,276	1,948,624	393,519	18,895	3,399,827
Accrued interest payable	66,324	42,976	18,221	20,636	-	148,157
Due to other funds	1,851	997,258	584	1,958	385	1,002,036
Unearned revenue	-	-	-	10,596	2,349	12,945
Compensated absences payable	13,000	10,000	15,000	13,000	5,400	56,400
Current portion of long-term debt	787,806	1,364,839	526,606	736,092	9,696	3,425,039
Liabilities payable from restricted assets:						
Customer deposits	44,932	45,102	277,480	209,680	39,779	616,973
Total current liabilities	1,098,426	3,314,451	2,786,515	1,385,481	76,504	8,661,377
Non-current liabilities:						
Compensated absences payable	45,084	33,115	26,742	32,043	16,194	153,178
Other long-term debt	7,561,263	13,705,684	3,209,293	2,685,390	40,304	27,201,934
Other post-employment benefits	185,602	198,116	143,287	199,290	76,650	802,945
Total non-current liabilities	7,791,949	13,936,915	3,379,322	2,916,723	133,148	28,158,057
Total liabilities	8,890,375	17,251,366	6,165,837	4,302,204	209,652	36,819,434
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	163,481	176,303	128,220	176,303	67,316	711,623
<b>Net Position:</b>						
Net investment in capital assets	14,911,281	25,819,780	14,636,646	11,767,750	5,123,327	72,258,784
Unrestricted	4,985,291	202,770	5,704,645	8,146,684	2,347,189	21,386,579
Total net position	\$ 19,896,572	\$ 26,022,550	\$ 20,341,291	\$ 19,914,434	\$ 7,470,516	\$ 93,645,363

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

## CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Major Enterprise Funds					Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Nonmajor Funds	
<b>Operating Revenues:</b>						
Charges for services	\$ 4,636,041	\$ 4,939,104	\$ 22,153,935	\$ 17,445,271	\$ 1,310,953	\$ 50,485,304
Other fees	54,830	33,760	-	45,986	74,000	208,576
Other operating revenues	158,447	108,930	132,391	100,143	3,718	503,629
Total operating revenues	<u>4,849,318</u>	<u>5,081,794</u>	<u>22,286,326</u>	<u>17,591,400</u>	<u>1,388,671</u>	<u>51,197,509</u>
<b>Operating Expenses:</b>						
Administration	733,641	717,701	944,449	2,498,681	685,198	5,579,670
Operations and maintenance	623,905	807,216	20,135,847	11,452,690	609,489	33,629,147
Treatment plant	1,277,425	1,344,728	-	-	-	2,622,153
Depreciation and amortization	861,866	1,116,897	773,147	647,555	221,125	3,620,590
Total operating expenses	<u>3,496,837</u>	<u>3,986,542</u>	<u>21,853,443</u>	<u>14,598,926</u>	<u>1,515,812</u>	<u>45,451,560</u>
Operating income (loss)	<u>1,352,481</u>	<u>1,095,252</u>	<u>432,883</u>	<u>2,992,474</u>	<u>(127,141)</u>	<u>5,745,949</u>
<b>Non-Operating Revenues (Expenses):</b>						
Operating grants	-	-	-	-	461,552	461,552
Refund of interest expense	85,265	34,857	-	9,894	-	130,016
Investment earnings	552	(411)	10,990	3,872	11,537	26,540
Interest expense and fiscal charges	(399,122)	(270,290)	(120,440)	(118,565)	-	(908,417)
Total non-operating revenues (expenses)	<u>(313,305)</u>	<u>(235,844)</u>	<u>(109,450)</u>	<u>(104,799)</u>	<u>473,089</u>	<u>(290,309)</u>
Income (loss) before capital contributions and transfers	1,039,176	859,408	323,433	2,887,675	345,948	5,455,640
Capital contributions	-	-	-	-	165,918	165,918
Transfers to other funds	(5,000)	(5,000)	(545,000)	(5,028,553)	-	(5,583,553)
Change in net position	<u>1,034,176</u>	<u>854,408</u>	<u>(221,567)</u>	<u>(2,140,878)</u>	<u>511,866</u>	<u>38,005</u>
<b>Net Position:</b>						
Beginning year - July 1	18,958,050	25,271,299	20,637,881	22,158,469	6,998,037	94,023,736
Prior period adjustment	(95,654)	(103,157)	(75,023)	(103,157)	(39,387)	(416,378)
Beginning year - July 1, as restated	<u>18,862,396</u>	<u>25,168,142</u>	<u>20,562,858</u>	<u>22,055,312</u>	<u>6,958,650</u>	<u>93,607,358</u>
End of year - June 30	<u>\$ 19,896,572</u>	<u>\$ 26,022,550</u>	<u>\$ 20,341,291</u>	<u>\$ 19,914,434</u>	<u>\$ 7,470,516</u>	<u>\$ 93,645,363</u>

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

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Major Enterprise Funds					Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Nonmajor Funds	
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 4,815,008	\$ 5,010,620	\$ 22,055,047	\$ 17,630,423	\$ 1,308,073	\$ 50,819,171
Cash paid for goods and services	(1,863,152)	(1,524,746)	(19,928,663)	(11,460,367)	(897,752)	(35,674,680)
Cash paid to employees	(748,776)	(728,653)	(975,616)	(2,522,182)	(402,279)	(5,377,506)
Net cash provided (used) by operating activities	<u>2,203,080</u>	<u>2,757,221</u>	<u>1,150,768</u>	<u>3,647,874</u>	<u>8,042</u>	<u>9,766,985</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Proceeds from operating grants	-	-	-	-	461,553	461,553
Increase (decrease) in due from other funds	466,450	810,753	93	274,035	310	1,551,641
Transfers from (to) other funds	(5,000)	(5,000)	(545,000)	(5,028,553)	-	(5,583,553)
Net cash provided (used) by non-capital financing activities	<u>461,450</u>	<u>805,753</u>	<u>(544,907)</u>	<u>(4,754,518)</u>	<u>461,863</u>	<u>(3,570,359)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(937,666)	(10,202,172)	(155,841)	(1,033,152)	(457,074)	(12,785,905)
Capital contributions - grants	-	-	-	-	165,918	165,918
Proceeds from issuance of long-term debt	119,000	8,315,123	-	90,000	50,000	8,574,123
Principal paid on long-term debt	(753,737)	(1,205,629)	(525,265)	(707,962)	-	(3,192,593)
Interest paid on long-term debt	(313,228)	(235,105)	(120,287)	(108,026)	-	(776,646)
Net cash provided (used) for capital and related financing activities	<u>(1,885,631)</u>	<u>(3,327,783)</u>	<u>(801,393)</u>	<u>(1,759,140)</u>	<u>(241,156)</u>	<u>(8,015,103)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest received from investments	<u>552</u>	<u>(411)</u>	<u>10,990</u>	<u>3,872</u>	<u>11,537</u>	<u>26,540</u>
Net cash provided (used) by investing activities	<u>552</u>	<u>(411)</u>	<u>10,990</u>	<u>3,872</u>	<u>11,537</u>	<u>26,540</u>
Net increase (decrease) in cash and cash equivalents	779,451	234,780	(184,542)	(2,861,912)	240,286	(1,791,937)
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>3,684,453</u>	<u>914,785</u>	<u>4,162,168</u>	<u>9,792,444</u>	<u>2,199,862</u>	<u>20,753,712</u>
End of year - June 30	<u>\$ 4,463,904</u>	<u>\$ 1,149,565</u>	<u>\$ 3,977,626</u>	<u>\$ 6,930,532</u>	<u>\$ 2,440,148</u>	<u>\$ 18,961,775</u>

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

CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	Major Enterprise Funds					Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Nonmajor Funds	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 1,352,481	\$ 1,095,252	\$ 432,883	\$ 2,992,474	\$ (127,141)	\$ 5,745,949
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	861,866	1,116,897	773,147	647,555	221,125	3,620,590
Pension expense	2,815	3,036	2,208	3,036	1,159	12,254
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(33,794)	(70,727)	(243,179)	28,427	(83,922)	(403,195)
(Increase) decrease in inventories	(32,369)	2,462	(49,773)	(61,201)	(1,257)	(142,138)
(Increase) decrease in prepaids	(178)	4,180	2,065	928	(832)	6,163
Increase (decrease) in accounts payable and accrued liabilities	70,725	620,556	254,892	52,596	3,222	1,001,991
Increase (decrease) in unearned revenues	(516)	(617)	(2,055)	10,596	2,349	9,757
Increase (decrease) in customer deposits	-	170	13,955	-	975	15,100
Increase (decrease) in compensated absences	2,729	4,478	(16,710)	(2,065)	285	(11,283)
(Increase) decrease in deferred outflows-pension	(43,442)	(46,850)	(34,072)	(46,850)	(17,888)	(189,102)
Increase (decrease) in other post-employment benefits	22,763	28,384	17,407	22,378	9,967	100,899
Net cash provided (used) by operating activities	<u>\$ 2,203,080</u>	<u>\$ 2,757,221</u>	<u>\$ 1,150,768</u>	<u>\$ 3,647,874</u>	<u>\$ 8,042</u>	<u>\$ 9,766,985</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>						
Refund of interest expense	<u>\$ 85,265</u>	<u>\$ 34,857</u>	<u>\$ -</u>	<u>\$ 9,894</u>	<u>\$ -</u>	<u>\$ 130,016</u>

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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Shelby, North Carolina, (the “City”) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and a six-member Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit described below is reported in a separate column in the City’s financial statements in order to emphasize that it is legally separate from the City.

##### City of Shelby ABC Board

The members of the ABC Board’s governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City of Shelby and Cleveland County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Shelby Board of Alcoholic Beverage Control, 8 West Warren Street, Shelby, North Carolina 28510.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Fund Financial Statements.* The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities nonmajor.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared tax revenues. The primary expenditures are for public safety, streets and highways, sanitation, parks and recreation, and general government services.

The City maintains a separate Powell Bill fund for internal accounting purposes. This fund has been consolidated into the General Fund for reporting purposes.

The City reports the following nonmajor governmental funds:

**Special Revenue Funds.** The special revenue funds account for specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The special revenue funds maintained by the City are the Economic Development Commission Fund and the Emergency Telephone System Fund.

**Capital Project Funds.** The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The capital projects maintained by the City are the Capital Projects Fund, the Economic Development Project Fund, and the Economic Development Reserve Fund.

**Permanent Funds.** Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the City. The permanent funds maintained by the City are the Raper Roark Trust Fund, which is used for the redevelopment, revitalization, and beautification of downtown Shelby, and the Cemetery Fund, which is used to account for the perpetual care of the municipal cemetery.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City reports the following major enterprise funds:

**Water Fund.** The Water Fund is used to account for the activities associated with the production, distribution, and transmission of potable water by the City to its users.

**Sewer Fund.** The Sewer Fund is used to account for the activities associated with operating and maintaining the City's sewer systems.

**Electric Fund.** The Electric Fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

**Gas Fund.** The Gas Fund is used to account for the activities associated with the distribution of natural gas by the City to its users.

The City reports the following nonmajor enterprise funds:

**Stormwater Fund.** The Stormwater Fund is used to account for the activities associated with operating and maintaining the City's stormwater systems.

**Housing Assistance Fund.** The Housing Assistance Fund is used to account for the activities associated with housing projects for low-income persons, including families, elderly and/or handicapped persons. Funding is from the City and the U.S. Department of Housing and Urban Development.

### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

**Government-Wide and Proprietary Fund Financial Statements.** The government-wide and proprietary fund statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Other Resources.** The proprietary funds provide substantial resources to the General Fund. In addition, the General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "transfers to other funds" in the disbursing fund and "transfers from other funds" in the receiving fund.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Shelby because the tax is levied by Cleveland County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are recognized as revenue when received and are not susceptible to accrual because, generally, they are not measurable until received in cash.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and charges between the City's utility enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **D. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **E. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, special revenue, enterprise funds, and the electric capital reserve funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the capital projects funds and water, sewer, electric, and gas capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds, funding source level for multi-year capital projects funds, and fund level for enterprise capital project funds. The City Manager is authorized to transfer appropriations between functional areas up to 10% of the appropriation for the department whose allocation is reduced; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Manager is also authorized to transfer between projects that are budgeted in the same capital project fund, transferring any remaining balances from any capital project upon its completion to the corresponding reserve fund. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the City Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### F. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity

#### Deposits and Investments

All deposits of the City and its component unit are made in Board-designated official depositories and are secured or required by State law [G.S. 159-31]. The City and its component unit may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and its component unit may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30 (c)] authorizes the City and its component unit to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"), an SEC-registered (2a-7) money market mutual fund.

The City's and its component unit's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

#### Cash and Investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, cash and investments (including restricted assets) include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when purchased, and long-term investments with a maturity of greater than three months when purchased. Cash on hand, demand deposits, and highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents.

#### Restricted Assets

Donations for redevelopment, revitalization, and beautification of downtown Shelby and for perpetual care of the municipal cemetery are restricted by donors. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Powell Bill funds, in the General Fund, are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.4.

**City of Shelby Restricted Cash**

**Governmental Activities:**

General Fund:

Streets \$ 850,890

Raper Roark Trust Fund:

Downtown redevelopment 333,111

Cemetery Fund:

Perpetual care of cemetery 430,911

Total governmental activities \$ 1,614,912

**Business-Type Activities:**

Water Fund:

Customer deposits \$ 44,932

Sewer Fund:

Customer deposits 45,102

Electric Fund:

Customer deposits 277,480

Gas Fund:

Customer deposits 209,680

Housing Fund:

Customer deposits 39,779

Total business-type activities \$ 616,973

**Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and management's assessment of current conditions.

### Inventory and Prepaid Items

Inventories of the City and its component unit are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures when used rather than when purchased.

The inventories of the City's enterprise funds consist of materials and supplies held for consumption. The ABC Board's inventories consist of materials and supplies held for sale to customers. The cost of the City's and the ABC Board's inventories are recorded as an expense as the inventories are consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded), and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets, except for land and construction in progress, are depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings and other improvements	30 to 50 years
Machinery and equipment	4 to 10 years
Vehicles	5 to 7 years

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building	20 years
Office and store equipment	4 to 10 years
Vehicles	4 years

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria in the current year – contributions made to the pension plan (LGERS) in the current fiscal year, and deferred charge on refunding. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet this criteria, taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **Compensated Absences**

The vacation policy of the City provides for the accumulation of up to 288 hours for general employees. Employees in the fire department can earn up to 382 hours, and employees of the police department can earn up to 308 hours of earned vacation leave, with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Employees of the ABC Board receive vacation pay based on a scale determined by the Board. Vacation is earned in one year to be taken in the following year. If it is not taken by the end of the following year, it is paid to the employee. No liability for vacation pay existed as of June 30, 2015.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in determination of length of service for retirement benefit purposes. Since the City has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave for the City employees has been made.

Employees of the ABC Board can accumulate sick leave at the rate of one day per month. Sick leave may be used in determination of length of service for retirement benefit purposes. Since the ABC Board has no obligations for the accumulated sick leave until it is actually taken, no accrual for sick leave for the ABC Board employees has been made.

### **Net Position/Fund Balances**

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through State statute.

### **Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The governmental fund types classify fund balances as follows:

**Non-Spendable Fund Balance.** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

	<b>General Fund</b>	<b>Nonmajor Funds</b>
<i>Inventories</i> - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.	\$ 139,491	\$ -
<i>Prepays</i> - portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.	232,634	-
<i>Perpetual</i> - portion of fund balance that consists of donations received, which the earnings are to be used for the redevelopment, revitalization, and beautification of downtown Shelby, and for the perpetual care of the municipal cemetery. The donations are to be invested in perpetuity.	-	764,022
<i>Long-Term Portion of Loans Receivable</i> - portion of fund balance that is not an available resource because it represents amounts that have not yet been collected.	-	58,804
Total	\$ 372,125	\$ 822,826

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Restricted Fund Balance.** This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

	<u>General Fund</u>	<u>Nonmajor Capital Project Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Permanent Fund</u>
<i>Restricted for Stabilization of State Statute</i> - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].	\$ 2,962,483	\$ 26,796	\$ 669,235	\$ 11,283
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	163,728	-	-
<i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the total unexpended Powell Bill funds.	<u>850,890</u>	-	-	-
Total	<u>\$ 3,813,373</u>	<u>\$ 190,524</u>	<u>\$ 669,235</u>	<u>\$ 11,283</u>

**Committed Fund Balance.** This classification represents the portion of fund balance that can only be used for the specific purposes imposed by a majority vote determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>
<i>Committed for Capital Projects</i> - portion of fund balance that is committed for future capital activities.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,001</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,001</u>



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Assigned Fund Balance.** Assigned fund balance is the portion of fund balance that the City Council has budgeted. The governing board has the authority to assign fund balance through the budget process.

	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Project Funds</u>
<i>Assigned for Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.	\$ 471,653	\$ -	\$ -
<i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.	<u>-</u>	<u>416,187</u>	<u>-</u>
Total	<u>\$ 471,653</u>	<u>\$ 416,187</u>	<u>\$ -</u>

**Unassigned Fund Balance.** Unassigned fund balance represents the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-City funds, and City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City has not adopted a formal fund balance policy. The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance - General Fund (Exhibit C)	\$ 8,923,797
<b>Less:</b>	
Non-spendable	(372,125)
Stabilization by State statute	<u>(2,962,483)</u>
Available for appropriation	<u>\$ 5,589,189</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Shelby's employer contributions are recognized when due and the City of Shelby has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## **2. Detail Notes On All Funds**

### **A. Assets**

#### **Deposits**

All deposits of the City and its component unit are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or its component unit's agents in their unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and its component unit, these deposits are considered to be held by the City's and the component unit's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or its component unit under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and its component unit have no policy regarding custodial credit risks for deposits. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of \$9,201,761 and a bank balance of \$9,875,000. The ABC Board's deposits had a carrying amount of \$321,996 and a bank balance of \$345,503.

Of the City's bank balance, \$750,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method.

The City had petty cash of \$5,659 at June 30, 2015, and the ABC Board had petty cash of \$7,080.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Investments**

At June 30, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than Six Months</u>	<u>Six Months to Five Years</u>	<u>Five to Seven Years</u>
US government agencies	\$ 7,588,473	\$ -	\$ 7,588,473	\$ -
Bank of the Ozarks CD's	2,000,000	2,000,000	-	-
US Bank CD's	479,390	479,390	-	-
NCCMT	8,068,918	8,068,918	-	-
Total	<u>\$ 18,136,781</u>	<u>\$ 10,548,308</u>	<u>\$ 7,588,473</u>	<u>\$ -</u>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, to the extent possible, the City attempts to match its investments to anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. The City's investment policy requires purchases of securities to be laddered with staggered maturity dates.

*Credit Risk.* The City has no formal policy regarding credit risk, but has internal management procedures that limit the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investments in US agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Freddie Mac) are rated AA+ by Standard and Poors and Aaa by Moody's Investors Service. The City's investment in the North Carolina Capital Management Trust cash portfolio carried a credit rating of AAAM by Standard and Poors as of June 30, 2015. All certificates of deposit are issued by banks organized under the laws of the State of North Carolina and are fully collateralized using the Pooling Method with the North Carolina Department of State Treasurer.

*Concentration of Credit Risk.* The City will diversify its investments by security type and institution. With the exception of US treasuries securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type and no more than 33% with a single financial institution. More than 5% of the City's investments are in US government agencies; Federal Farm Credit Bank and Fannie Mae, 11% and 31%, respectively.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Receivables – Allowances for Doubtful Accounts

Receivables presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Taxes receivable	\$ 147,000	\$ -	\$ 147,000
Accounts receivable	98,740	1,920,914	2,019,654
<b>Total</b>	<b>\$ 245,740</b>	<b>\$ 1,920,914</b>	<b>\$ 2,166,654</b>

### Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 5,014,681	\$ -	\$ -	\$ -	\$ 5,014,681
Construction in progress	4,140,386	1,777,025	-	(3,399,765)	2,517,646
Total non-depreciable capital assets	9,155,067	1,777,025	-	(3,399,765)	7,532,327
<b>Depreciable Capital Assets:</b>					
Buildings	13,412,976	336,426	-	2,948,745	16,698,147
Other improvements	10,899,183	535,106	-	451,020	11,885,309
Machinery and equipment	7,491,615	298,659	-	-	7,790,274
Vehicles	8,542,596	306,712	-	-	8,849,308
Infrastructure	11,484,875	-	-	-	11,484,875
Total depreciable capital assets	51,831,245	1,476,903	-	3,399,765	56,707,913
<b>Less Accumulated Depreciation:</b>					
Buildings	6,168,120	315,026	-	-	6,483,146
Other improvements	2,204,455	268,167	-	-	2,472,622
Machinery and equipment	5,410,307	472,735	-	-	5,883,042
Vehicles	6,987,886	386,639	-	-	7,374,525
Infrastructure	4,064,975	163,229	-	-	4,228,204
Total accumulated depreciation	24,835,743	\$ 1,605,796	\$ -	\$ -	26,441,539
Total depreciable capital assets, net	26,995,502				30,266,374
Governmental activities capital assets, net	<b>\$ 36,150,569</b>				<b>\$ 37,798,701</b>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

**Governmental Activities:**

General government	\$	231,748
Public safety		524,716
Transportation		471,219
Environmental protection		123,464
Cultural and recreation		<u>254,649</u>
Total depreciation expense - governmental activities	\$	<u>1,605,796</u>

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balances</b>
<b>Water Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 49,483	\$ 6,753	\$ -	\$ -	\$ 56,236
Construction in progress	<u>607,706</u>	<u>126,894</u>	<u>-</u>	<u>(566,768)</u>	<u>167,832</u>
Total non-depreciable capital assets	<u>657,189</u>	<u>133,647</u>	<u>-</u>	<u>(566,768)</u>	<u>224,068</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	12,760,012	315,217	-	-	13,075,229
Water extensions	22,514,070	377,332	-	566,768	23,458,170
Machinery and equipment	1,292,543	111,470	(54,951)	-	1,349,062
Vehicles	<u>341,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,384</u>
Total depreciable capital assets	<u>36,908,009</u>	<u>804,019</u>	<u>(54,951)</u>	<u>566,768</u>	<u>38,223,845</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	6,924,176	206,828	-	-	7,131,004
Water extensions	6,438,142	539,550	-	-	6,977,692
Machinery and equipment	1,083,402	58,147	(54,951)	-	1,086,598
Vehicles	<u>194,790</u>	<u>40,017</u>	<u>-</u>	<u>-</u>	<u>234,807</u>
Total accumulated depreciation	<u>14,640,510</u>	<u>\$ 844,542</u>	<u>\$ (54,951)</u>	<u>\$ -</u>	<u>15,430,101</u>
Total depreciable capital assets, net	<u>22,267,499</u>				<u>22,793,744</u>
Water Fund capital assets, net	<u>\$ 22,924,688</u>				<u>\$ 23,017,812</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 58,402	\$ -	\$ -	\$ -	\$ 58,402
Construction in progress	<u>1,504,844</u>	<u>9,520,266</u>	<u>-</u>	<u>(451,861)</u>	<u>10,573,249</u>
Total non-depreciable capital assets	<u>1,563,246</u>	<u>9,520,266</u>	<u>-</u>	<u>(451,861)</u>	<u>10,631,651</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	16,474,190	290,697	-	-	16,764,887
Sewer extensions	27,106,312	321,803	-	451,861	27,879,976
Machinery and equipment	1,954,521	30,943	-	-	1,985,464
Vehicles	742,038	38,463	(20,604)	-	759,897
System improvements	<u>60,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,707</u>
Total depreciable capital assets	<u>46,337,768</u>	<u>681,906</u>	<u>(20,604)</u>	<u>451,861</u>	<u>47,450,931</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	6,735,905	298,893	-	-	7,034,798
Sewer extensions	7,270,876	607,562	-	-	7,878,438
Machinery and equipment	1,589,987	141,386	-	-	1,731,373
Vehicles	576,844	62,052	(20,604)	-	618,292
System improvements	<u>4,680</u>	<u>1,517</u>	<u>-</u>	<u>-</u>	<u>6,197</u>
Total accumulated depreciation	<u>16,178,292</u>	<u>\$ 1,111,410</u>	<u>\$ (20,604)</u>	<u>\$ -</u>	<u>17,269,098</u>
Total depreciable capital assets, net	<u>30,159,476</u>				<u>30,181,833</u>
Sewer Fund capital assets, net	<u>\$ 31,722,722</u>				<u>\$ 40,813,484</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 75,683	\$ -	\$ -	\$ -	\$ 75,683
Construction in progress	11,406	-	-	-	11,406
Total non-depreciable capital assets	<u>87,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,089</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	4,158,645	-	-	-	4,158,645
Electric extensions	22,878,150	155,841	-	-	23,033,991
Machinery and equipment	1,124,268	-	-	-	1,124,268
Vehicles	1,130,136	-	-	-	1,130,136
Total depreciable capital assets	<u>29,291,199</u>	<u>155,841</u>	<u>-</u>	<u>-</u>	<u>29,447,040</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	1,911,322	65,316	-	-	1,976,638
Electric extensions	6,727,146	544,514	-	-	7,271,660
Machinery and equipment	957,512	90,718	-	-	1,048,230
Vehicles	1,003,964	58,499	-	-	1,062,463
Total accumulated depreciation	<u>10,599,944</u>	<u>\$ 759,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>11,358,991</u>
Total depreciable capital assets, net	<u>18,691,255</u>				<u>18,088,049</u>
Electric Fund capital assets, net	<u>\$ 18,778,344</u>				<u>\$ 18,175,138</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Gas Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 53,489	\$ -	\$ -	\$ -	\$ 53,489
Construction in progress	<u>236,429</u>	<u>85</u>	<u>-</u>	<u>(225,338)</u>	<u>11,176</u>
Total non-depreciable capital assets	<u>289,918</u>	<u>85</u>	<u>-</u>	<u>(225,338)</u>	<u>64,665</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	475,462	-	-	-	475,462
Gas extensions	23,789,066	943,342	-	225,338	24,957,746
Machinery and equipment	1,238,296	-	(23,254)	-	1,215,042
Vehicles	<u>591,575</u>	<u>89,725</u>	<u>(15,342)</u>	<u>-</u>	<u>665,958</u>
Total depreciable capital assets	<u>26,094,399</u>	<u>1,033,067</u>	<u>(38,596)</u>	<u>225,338</u>	<u>27,314,208</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	434,080	16,501	-	-	450,581
Sewer extensions	9,877,091	467,236	-	-	10,344,327
Machinery and equipment	860,523	115,936	(23,254)	-	953,205
Vehicles	<u>478,750</u>	<u>43,231</u>	<u>(15,342)</u>	<u>-</u>	<u>506,639</u>
Total accumulated depreciation	<u>11,650,444</u>	<u>\$ 642,904</u>	<u>\$ (38,596)</u>	<u>\$ -</u>	<u>12,254,752</u>
Total depreciable capital assets, net	<u>14,443,955</u>				<u>15,059,456</u>
Gas Fund capital assets, net	<u>\$ 14,733,873</u>				<u>\$ 15,124,121</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Stormwater Fund:</b>					
<b>Depreciable Capital Assets:</b>					
Machinery and equipment	\$ -	\$ 225,355	\$ -	\$ -	\$ 225,355
Vehicles	<u>-</u>	<u>53,859</u>	<u>-</u>	<u>-</u>	<u>53,859</u>
Total depreciable capital assets	<u>-</u>	<u>279,214</u>	<u>-</u>	<u>-</u>	<u>279,214</u>
<b>Less Accumulated Depreciation:</b>					
Machinery and equipment	-	2,683	-	-	2,683
Vehicles	<u>-</u>	<u>897</u>	<u>-</u>	<u>-</u>	<u>897</u>
Total accumulated depreciation	<u>-</u>	<u>\$ 3,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,580</u>
Total depreciable capital assets, net	<u>-</u>				<u>275,634</u>
Stormwater Fund capital assets, net	<u>\$ -</u>				<u>\$ 275,634</u>



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Housing Assistance Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 278,173	\$ -	\$ -	\$ -	\$ 278,173
Construction in progress	4,730	4,850	-	-	9,580
Total non-depreciable capital assets	<u>282,903</u>	<u>4,850</u>	<u>-</u>	<u>-</u>	<u>287,753</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	8,897,555	173,010	-	-	9,070,565
Other improvements	664,131	-	-	-	664,131
Machinery and equipment	170,212	-	-	-	170,212
Vehicles	133,210	-	-	-	133,210
Total depreciable capital assets	<u>9,865,108</u>	<u>173,010</u>	<u>-</u>	<u>-</u>	<u>10,038,118</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	4,315,603	200,905	-	-	4,516,508
Other improvements	591,608	16,640	-	-	608,248
Machinery and equipment	170,212	-	-	-	170,212
Vehicles	133,210	-	-	-	133,210
Total accumulated depreciation	<u>5,210,633</u>	<u>\$ 217,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,428,178</u>
Total depreciable capital assets, net	<u>4,654,475</u>				<u>4,609,940</u>
Housing Assistance Fund capital assets, net	<u>\$ 4,937,378</u>				<u>\$ 4,897,693</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Construction Commitments**

The City has active construction projects as of June 30, 2015. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Land acquisition & easement	\$ 138,087
Airport construction	13,131
Logan Street	8,500
East water tank	31,349
Grover Street water	173,600
WWTP improvements	2,961,637
Outfall improvements	241,300
Brushy Creek	248,423
Compost facility	<u>25,992</u>
Total	<u>\$ 3,842,019</u>

Capital Asset activity for the ABC Board for the year ended June 30, 2015 was as follows:

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 182,567	\$ -	\$ -	\$ 182,567
<b>Depreciable Capital Assets:</b>				
Buildings	742,864	-	-	742,864
Office and store equipment	322,954	7,713	-	330,667
Vehicle	<u>24,250</u>	-	-	<u>24,250</u>
Total depreciable capital assets	<u>1,090,068</u>	<u>7,713</u>	-	<u>1,097,781</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	652,809	20,239	-	673,048
Office and store equipment	280,827	8,554	-	289,381
Vehicle	<u>10,104</u>	<u>2,425</u>	-	<u>12,529</u>
Total accumulated depreciation	<u>943,740</u>	<u>31,218</u>	-	<u>974,958</u>
Total ABC depreciable capital assets	<u>146,328</u>	<u>(23,505)</u>	-	<u>122,823</u>
ABC capital assets, net	<u>\$ 328,895</u>	<u>\$ (23,505)</u>	<u>\$ -</u>	<u>\$ 305,390</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**B. Liabilities and Net Position**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities at the fund and government-wide level at June 30, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 355,301	\$ 1,324,696
Accrued gas and electric purchases	-	1,999,709
Accrued payroll liabilities	<u>294,590</u>	<u>75,422</u>
 Total accounts payable and accrued liabilities	 <u>\$ 649,891</u>	 <u>\$ 3,399,827</u>

**Long-Term Obligations**

All financing arrangements that have an outstanding balance at June 30, 2015 are summarized as follows:

Financing Agreements	Interest Rate	Date Debts Matures	Amount of Original Debt	Balance Outstanding at June 30, 2015						
				Governmental Activities	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund	Total Business-Type
Cleveland County	1.68%	03/2022	\$ 183,526	\$ -	\$ -	\$ 128,469	\$ -	\$ -	\$ -	\$ 128,469
Powell Bill 2012	1.43%	05/2017	158,000	64,527	-	-	-	-	-	-
Powell Bill 2013	1.18%	11/2017	31,890	20,912	-	-	-	-	-	-
Powell Bill 2014			-	280,000	-	-	-	-	-	-
2011 Purchase of equipment	1.69%	05/2016	965,726	105,268	1,058	70,756	8,505	14,272	-	94,591
2012 Purchase of equipment	1.43%	05/2017	1,250,000	267,213	7,643	52,303	49,509	60,161	-	169,616
2013 Purchase of equipment	1.18%	11/2017	986,960	388,294	66,154	93,633	-	49,492	-	209,279
2014 Purchase of equipment	1.42%	2/2019	930,900	451,157	107,147	55,594	26,104	109,977	-	298,822
2014 DENR	0.00%	5/2034	726,000	-	-	689,700	-	-	-	689,700
2015 Purchase of equipment			1,859,433	1,234,933	119,000	85,500	-	90,000	50,000	344,500
2015 DENR	0.00%	2029	2,219,590	-	-	2,219,590	-	-	-	2,219,590
2015DENR	0.00%	2029	<u>6,010,033</u>	<u>-</u>	<u>-</u>	<u>6,010,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,010,033</u>
 Total			 <u>\$ 20,651,061</u>	 <u>\$ 3,312,304</u>	 <u>\$ 301,002</u>	 <u>\$ 9,405,578</u>	 <u>\$ 84,118</u>	 <u>\$ 323,902</u>	 <u>\$ 50,000</u>	 <u>\$ 10,164,600</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Governmental Activities Long-Term Debt**

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2015 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 933,507	\$ 58,229	\$ 991,736
2017	838,352	41,944	880,296
2018	679,917	27,153	707,070
2019	547,781	19,769	567,550
2020	312,747	4,435	317,182
<b>Total</b>	<b>\$ 3,312,304</b>	<b>\$ 151,530</b>	<b>\$ 3,463,834</b>

**Business-Type Activities Long-Term Debt**

**Other Debt.** Annual debt service requirements to maturity for other debt are as follows:

<b>Year Ending June 30</b>	<b>Water Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 75,536	\$ 3,856	\$ 79,392
2017	75,514	2,904	78,418
2018	73,874	1,951	75,825
2019	51,518	1,017	52,535
2020	24,560	348	24,908
<b>Total</b>	<b>\$ 301,002</b>	<b>\$ 10,076</b>	<b>\$ 311,078</b>

<b>Year Ending June 30</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 379,228	\$ 5,100	\$ 384,328
2017	809,650	2,794	812,444
2018	783,460	1,585	785,045
2019	752,836	728	753,564
2020	738,875	250	739,125
2021-2025	3,551,206	-	3,551,206
2026-2030	2,245,123	-	2,245,123
2031-2034	145,200	-	145,200
<b>Total</b>	<b>\$ 9,405,578</b>	<b>\$ 10,457</b>	<b>\$ 9,416,035</b>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Year Ending</b>	<b>Electric Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2016	\$ 41,258	\$ 1,269	\$ 42,527
2017	29,617	665	30,282
2018	6,568	188	6,756
2019	6,675	87	6,762
Total	<u>\$ 84,118</u>	<u>\$ 2,209</u>	<u>\$ 86,327</u>

<b>Year Ending</b>	<b>Gas Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2016	\$ 108,126	\$ 4,049	\$ 112,175
2017	89,385	2,670	92,055
2018	61,417	1,498	62,915
2019	46,394	776	47,170
2020	18,580	263	18,843
Total	<u>\$ 323,902</u>	<u>\$ 9,256</u>	<u>\$ 333,158</u>

<b>Year Ending</b>	<b>Stormwater Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2016	\$ 9,696	\$ 775	\$ 10,471
2017	9,846	625	10,471
2018	9,999	472	10,471
2019	10,154	317	10,471
2020	10,305	146	10,451
Total	<u>\$ 50,000</u>	<u>\$ 2,335</u>	<u>\$ 52,335</u>

**Revenue Bonds.** The City’s revenue bonds were issued to provide funds for capital improvements. Revenue bonds have been issued for business-type activities in each of the major proprietary funds (water, sewer, electric, and gas). The City pledges revenues derived from the business-type activities to pay the debt service. The principal and interest requirements are paid when due from earnings of the proprietary funds.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The outstanding balances on these bonds at June 30, 2015 are as follows:

	<u>Interest Rates</u>	<u>Series Matures</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2015</u>
Combined Enterprise System, Series 2004A	4.62%	2029	\$ 18,465,000	\$ 775,000
Combined Enterprise System, Series 2010	6.20%	2025	8,346,400	6,097,373
Combined Enterprise System, Series 2013A	2.78%	2029	9,645,000	8,935,000
Combined Enterprise System, Series 2013B	1.56%	2017	2,540,000	1,275,000
Combined Enterprise System, Series 2013C	2.69%	2028	3,185,000	2,795,000
Combined Enterprise System, Series 2013D	2.10%	2016	1,785,000	585,000
Total				<u>\$ 20,462,373</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Water Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 712,270	\$ 359,246	\$ 1,071,516
2017	742,463	326,023	1,068,486
2018	592,667	291,363	884,030
2019	613,547	262,366	875,913
2020	637,104	232,279	869,383
2021-2025	3,536,503	668,426	4,204,929
2026-2029	<u>1,213,513</u>	<u>85,526</u>	<u>1,299,039</u>
Total	<u>\$ 8,048,067</u>	<u>\$ 2,225,229</u>	<u>\$ 10,273,296</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Year Ending June 30</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 985,611	\$ 206,956	\$ 1,192,567
2017	415,310	178,330	593,640
2018	367,036	161,410	528,446
2019	382,695	146,190	528,885
2020	395,406	130,332	525,738
2021-2025	2,169,028	393,739	2,562,767
2026-2029	949,859	57,940	1,007,799
Total	<u>\$ 5,664,945</u>	<u>\$ 1,274,897</u>	<u>\$ 6,939,842</u>

<b>Year Ending June 30</b>	<b>Electric Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 485,348	\$ 100,393	\$ 585,741
2017	500,320	87,507	587,827
2018	189,952	74,118	264,070
2019	195,040	68,837	263,877
2020	201,824	63,415	265,239
2021-2025	1,090,528	230,133	1,320,661
2026-2029	988,769	69,686	1,058,455
Total	<u>\$ 3,651,781</u>	<u>\$ 694,089</u>	<u>\$ 4,345,870</u>

<b>Year Ending June 30</b>	<b>Gas Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 627,966	\$ 91,172	\$ 719,138
2017	638,708	77,283	715,991
2018	148,589	63,048	211,637
2019	154,280	57,495	211,775
2020	159,453	51,726	211,179
2021-2025	870,723	165,107	1,035,830
2026-2029	497,861	32,399	530,260
Total	<u>\$ 3,097,580</u>	<u>\$ 538,230</u>	<u>\$ 3,635,810</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The City has pledged future water, sewer, electric, and gas customer revenues, net of specified operating expenses, to repay \$20,462,373 revenue bonds issued in 2004, 2010, and 2013. Proceeds from the bonds provided financing for various capital improvements. The bonds are payable solely from water, sewer, electric, and gas customer net revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 9 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$25,194,818. Principal and interest paid for the current year and total customer net revenues were \$3,604,448 and \$9,272,556, respectively.

The City has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 704 of the Bond Order, authorizing the issuance of Revenue Bonds, Series 1995, since its adoption in 1995. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%. The debt service coverage ratio calculation for the year ended June 30, 2015 is as follows:

Operating revenues	\$ 49,808,838
Operating expenses*	<u>40,536,283</u>
Income available for debt service	\$ <u>9,272,555</u>
Debt service, principal, and interest paid (Revenue bond only)	\$ <u>3,604,448</u>
Debt service coverage ratio	<u>257.25%</u>

\*Per rate covenants, this does not include the depreciation expense of \$3,357,903.

**Changes in Long-Term Liabilities.** Long-term liability activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Installment debt	\$ 2,756,240	\$ 1,514,933	\$ (958,869)	\$ 3,312,304	\$ 933,507
Net pension obligations (LEO)	530,551	157,565	(39,456)	648,660	-
Compensated absences	958,623	204,899	(251,312)	912,210	230,000
Net pension liability-LGERS	2,111,900	-	(2,111,900)	-	-
Other post-employment benefits	<u>2,458,343</u>	<u>917,035</u>	<u>(555,883)</u>	<u>2,819,495</u>	<u>-</u>
Governmental activities					
long-term liabilities	\$ <u>8,815,657</u>	\$ <u>2,794,432</u>	\$ <u>(3,917,420)</u>	\$ <u>7,692,669</u>	\$ <u>1,163,507</u>



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
<b>Business-Type Activities:</b>					
<b>Water Fund:</b>					
Revenue bonds	\$ 8,741,025	\$ -	\$ (692,958)	\$ 8,048,067	\$ 712,270
Installment debt	242,781	119,000	(60,779)	301,002	75,536
Compensated absences	55,355	13,399	(10,670)	58,084	13,000
Net pension liability-LGERS	138,441	-	(138,441)	-	-
Other post-employment benefits	162,839	57,801	(35,038)	185,602	-
Water Fund long-term liabilities	<u>\$ 9,340,441</u>	<u>\$ 190,200</u>	<u>\$ (937,886)</u>	<u>\$ 8,592,755</u>	<u>\$ 800,806</u>
<b>Sewer Fund:</b>					
Revenue bonds	\$ 6,643,102	\$ -	\$ (978,157)	\$ 5,664,945	\$ 985,611
Other debt	1,317,927	8,315,123	(227,472)	9,405,578	379,228
Compensated absences	38,637	11,469	(6,991)	43,115	10,000
Net pension liability-LGERS	149,299	-	(149,299)	-	-
Other post-employment benefits	169,732	72,074	(43,690)	198,116	-
Sewer Fund long-term liabilities	<u>\$ 8,318,697</u>	<u>\$ 8,398,666</u>	<u>\$ (1,405,609)</u>	<u>\$ 15,311,754</u>	<u>\$ 1,374,839</u>
<b>Electric Fund:</b>					
Revenue bonds	\$ 4,127,827	\$ -	\$ (476,046)	\$ 3,651,781	\$ 485,348
Installment debt	133,337	-	(49,219)	84,118	41,258
Compensated absences	58,452	7,503	(24,213)	41,742	15,000
Net pension liability-LGERS	108,581	-	(108,581)	-	-
Other post-employment benefits	125,880	44,201	(26,794)	143,287	-
Electric Fund long-term liabilities	<u>\$ 4,554,077</u>	<u>\$ 51,704</u>	<u>\$ (684,853)</u>	<u>\$ 3,920,928</u>	<u>\$ 541,606</u>
<b>Gas Fund:</b>					
Revenue bonds	\$ 3,711,813	\$ -	\$ (614,233)	\$ 3,097,580	\$ 627,966
Installment debt	327,631	90,000	(93,729)	323,902	108,126
Compensated absences	47,108	11,537	(13,602)	45,043	13,000
Net pension liability-LGERS	149,299	-	(149,299)	-	-
Other post-employment benefits	176,912	56,821	(34,443)	199,290	-
Gas Fund long-term liabilities	<u>\$ 4,412,763</u>	<u>\$ 158,358</u>	<u>\$ (905,306)</u>	<u>\$ 3,665,815</u>	<u>\$ 749,092</u>
<b>Housing Assistance Fund:</b>					
Compensated absences	\$ 21,309	\$ 4,749	\$ (5,906)	\$ 20,152	\$ 5,000
Net pension liability-LGERS	57,005	-	(57,005)	-	-
Other post-employment benefits	66,683	25,306	(15,339)	76,650	-
Housing Assistance long-term liabilities	<u>\$ 144,997</u>	<u>\$ 30,055</u>	<u>\$ (78,250)</u>	<u>\$ 96,802</u>	<u>\$ 5,000</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Within One Year</u>
<b>Stormwater Fund:</b>					
Installment debt	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ 9,696
Compensated absences	-	1,634	(192)	1,442	400
Stormwater Fund long-term liabilities	<u>\$ -</u>	<u>\$ 51,634</u>	<u>\$ (192)</u>	<u>\$ 51,442</u>	<u>\$ 10,096</u>
<b>Total Business-Type Activities:</b>					
Revenue bonds	\$ 23,223,767	\$ -	\$ (2,761,394)	\$ 20,462,373	\$ 2,811,195
Installment debt	2,021,676	8,574,123	(431,199)	10,164,600	613,844
Compensated absences	220,861	50,291	(61,574)	209,578	56,400
Net pension liability-LGERS	602,625	-	(602,625)	-	-
Other post-employment benefits	<u>702,046</u>	<u>256,203</u>	<u>(155,304)</u>	<u>802,945</u>	<u>-</u>
Business-type activities					
long-term liabilities	<u>\$ 26,770,975</u>	<u>\$ 8,880,617</u>	<u>\$ (4,012,096)</u>	<u>\$ 31,639,496</u>	<u>\$ 3,481,439</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

The net pension obligation, other post-employment benefit obligation, and compensated absences are typically liquidated in the General Fund.

At June 30, 2015, the City has a legal debt margin of approximately \$111,184,000.

**Deferred Outflows and Inflows of Resources.** The amount of deferred outflows of resources is comprised of contributions to a pension plan in the current fiscal year (LGERS) of \$851,812, and a charge on refunding of debt of \$581,875. Deferred inflows of resources at year-end are comprised of the following:

	<u>Deferred Inflows</u>
Taxes receivable (General Fund)	\$ 262,379
Taxes receivable (nonmajor funds)	11,423
Pension deferrals	<u>3,205,505</u>
Total	<u>\$ 3,479,307</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

**Net Investment in Capital Assets.** Net investment in capital assets is comprised of the following:

**Governmental Activities:**

Capital assets, net of accumulated depreciation	\$	37,798,701
Outstanding balance on related debt		<u>(3,312,304)</u>
 Total governmental activities	 \$	 <u>34,486,397</u>

**Business-Type Activities:**

**Water:**

Capital assets, net of accumulated depreciation	\$	23,017,812
Outstanding balance on related debt		(8,349,069)
Deferred charge on refunding		<u>242,538</u>
 Total water		 <u>14,911,281</u>

**Sewer:**

Capital assets, net of accumulated depreciation		40,813,484
Outstanding balance on related debt		(15,070,523)
Deferred charge on refunding		<u>76,819</u>
 Total sewer		 <u>25,819,780</u>

**Electric:**

Capital assets, net of accumulated depreciation		18,175,138
Outstanding balance on related debt		(3,735,899)
Deferred charge on refunding		<u>197,407</u>
 Total electric		 <u>14,636,646</u>

**Gas:**

Capital assets, net of accumulated depreciation		15,124,121
Outstanding balance on related debt		(3,421,482)
Deferred charge on refunding		<u>65,111</u>
 Total gas		 <u>11,767,750</u>

**Stormwater:**

Capital assets, net of accumulated depreciation		275,634
Outstanding balance on related debt		<u>(50,000)</u>
 Total stormwater		 <u>225,634</u>

**Housing:**

Capital assets, net of accumulated depreciation		<u>4,897,693</u>
 Total housing assistance		 <u>4,897,693</u>
 Total business-type activities	 \$	 <u>72,258,784</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **Pension Plan and Post-Employment Obligations**

#### **Local Governmental Employees' Retirement System**

##### *1. Description*

The City of Shelby and the ABC Board are participating employers in the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

##### *2. Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

### *3. Contributions*

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Shelby's contractually required contribution rate for the year ended June 30, 2015 was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Shelby were \$851,812 for the year ended June 30, 2015. The ABC Board's contributions to LGERS for the year ended June 30, 2015 were \$25,983.

### *4. Refunds of Contributions*

City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the City reported an asset of \$1,274,737 for its proportionate share of the net pension asset and the ABC Board reported \$18,163. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.216%, which was a decrease of 0.009% from its proportion measured as of June 30, 2013.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

For the year ended June 30, 2015, the City recognized pension expense of \$55,194. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>\$</u>	<u>\$</u>
Differences between expected and actual experience	\$ -	\$ 139,287
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,967,559
Changes in proportion and differences between City contributions and proportionate share of contributions	-	98,659
City contributions subsequent to the measurement date	<u>851,812</u>	<u>-</u>
Total	<u>\$ 851,812</u>	<u>\$ 3,205,505</u>

\$851,812 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
<u>                    </u>	<u>                    </u>
2016	\$ (801,525)
2017	(801,525)
2018	(801,525)
2019	(800,930)
2020	-
Thereafter	-

*5. Actuarial Assumptions*

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	<u>4.5%</u>	3.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: fixed income 2.2%, global equity 5.8%, real estate 5.2%, alternatives 9.8%, credit 6.8%, and inflation protection 3.4%.

*6. Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the 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.

*7. Sensitivity of the City’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate*

The following presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$ 4,327,007</u>	<u>\$ (1,274,737)</u>	<u>\$ (5,991,223)</u>

*8. Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** The City administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Separate financial statements are not issued for the Plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to, but not yet receiving, benefits	4
Active plan members	<u>81</u>
Total	<u><u>85</u></u>

A separate report was not issued for the plan.

### Summary of Significant Accounting Policies

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meet the following criteria, which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected unit credit on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

**Annual Pension Cost and Net Pension Obligation.** The City’s annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 175,856
Interest on net pension obligation	26,528
Adjustment to annual required contribution	<u>(44,819)</u>
Annual pension cost	157,565
Contributions made	<u>39,456</u>
Increase (decrease) in net pension obligation	118,109
Net pension obligation:	
Beginning of year - July 1	<u>530,551</u>
End of year - June 30	<u><u>\$ 648,660</u></u>

**Three-Year Trend Information**

<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2015	\$ 157,565	25.04%	\$ 648,660
2014	128,182	30.78%	530,551
2013	127,246	27.69%	441,825

**Funding Status and Funding Progress.** As of December 31, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$1,415,342, and the unfunded actuarial accrued liability (UAAL) was \$1,415,342. The covered payroll (annual payroll of active employees covered by the plan) was \$3,216,095, and the ratio of the UAAL to the covered payroll was 44.01%.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing, over time, relative to the actuarial accrued liability for benefits.

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Comptroller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. The City has elected to include all other City employees in the Plan at the same contribution rate. All amounts contributed are vested immediately. Also, the other City employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2015 were \$764,893, which consisted of \$594,605 from the City and \$170,288 from the covered employees.

### **Other Post-Employment Benefits – Healthcare Benefits**

**Plan Description.** Under the terms of a City resolution, the City administers a single-employer, defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides post-employment healthcare benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees’ Retirement System (System) and have at least 22 years of creditable service with the City. The City pays the full cost of coverage for these benefits through private insurers. Also, the City’s retirees can purchase coverage for their dependents at the City’s group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The City Council may amend the benefit provisions. A separate report was not issued for the Plan.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>	<u>Firefighters</u>
Active plan members	<u>192</u>	<u>74</u>	<u>53</u>

The City has 45 retirees receiving benefits.

**Funding Policy.** The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by the City Council. The City has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 10.0% of annual covered payroll. The City’s contributions totaled \$711,187, or 6.10% of annual covered payroll, including \$365,797 for general employees, \$104,808 for law enforcement officers, and \$240,582 for firefighters. The City obtains healthcare coverage through private insurers. There were no contributions made by employees, except for dependent coverage. The City’s obligation to contribute to HCB Plan is established and may be amended by the City Council.

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Annual OPEB Cost and Net Obligation.** The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 1,167,586
Valuation discount rate	4.00%
Interest on net OPEB obligation	126,418
Adjustments to annual required contribution	<u>(120,766)</u>
Annual OPEB cost (expense)	1,173,238
Contributions made	<u>(711,187)</u>
Increase (decrease) in net OPEB obligation	462,051
Net OPEB obligation:	
Beginning of year - July 1	<u>3,160,389</u>
End of year - June 30	<u>\$ 3,622,440</u>

The City’s net OPEB obligation is comprised of \$2,819,495 and \$802,945 for governmental activities and business-type activities, respectively. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,173,238	60.62%	\$ 3,622,440
2014	1,026,390	54.30%	3,160,389
2013	995,764	51.10%	2,691,245

**Fund Status and Funding Progress.** As of December 31, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits and; thus, the unfunded actuarial accrued liability (UAAL) was \$13,897,998. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5% to 5% annually. Both rates included a 3.00% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013 was 30 years.

### **Other Employment Benefit**

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

For the fiscal year ended June 30, 2015, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The City of Shelby will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

The ABC Board has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multi-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the ABC Board, the Board does not determine the number of eligible participants. The Board has no liability beyond payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The ABC Board considers these contributions to be immaterial.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **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. The City participates in three self-funded, risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage. All premiums are paid to date.

For all buildings and contents located in the National Flood Insurance Program (NFIP) Flood Zones B, C, or X, the flood deductible is \$50,000 per occurrence. There is no flood coverage for buildings or contents not located in flood zones B, C, or X. The occurrence and aggregate limit is \$5,000,000.

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are fidelity bonded through a commercial fidelity position bond. The Finance Officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

In accordance with G.S. 18B-700(i), each ABC Board member and the employee designated as the General Manager and Finance Officer are bonded in the amount of \$50,000 secured by a corporate surety.



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Claims, Judgments, and Contingent Liabilities**

At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

The City receives amounts from federal, State, and local government agencies in the form of grants. The disbursement of funds under these programs is subject to audit in accordance with Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The City expects the amount, if any, of expenditures that may be disallowed by the granting agencies as a result of these audits to be immaterial.

**3. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds:		
General Fund	Capital Projects Fund	\$ 500,402
General Fund	Water Fund	1,851
General Fund	Sewer Fund	57,258
General Fund	Electric Fund	584
General Fund	Gas Fund	1,958
General Fund	Housing Assistance Fund	385
Gas Fund	Sewer Fund loan	940,000
Total		<u>\$ 1,502,438</u>

Amounts due to the General Fund and Gas Fund from the nonmajor funds are for operating purposes.

The \$1 million loan between the Gas Fund and the Sewer Fund will be repaid over 20 years. The balance as of June 30, 2015 was \$940,000.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

The composition of interfund transfers during the year was as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 535,000
General Fund	Gas Fund	3,350,000
Economic Development Commission Fund	General Fund	172,647
Economic Development Commission Fund	Water Fund	5,000
Economic Development Commission Fund	Sewer Fund	5,000
Economic Development Commission Fund	Electric Fund	10,000
Economic Development Commission Fund	Gas Fund	1,346,000
Capital Projects Fund	General Fund	90,820
Economic Development Project Fund	Economic Development Commission Fund	1,136,000
Economic Development Project Fund	Gas Fund	<u>332,553</u>
Total		<u>\$ 6,983,020</u>

The transfers from the Gas Fund and Electric Fund are made in accordance with the City’s transfer policy to provide the City a return on its investment. The transfers to the nonmajor governmental funds are for economic development purposes. The transfers to the Capital Project Fund are for capital purposes.

**4. Jointly Governed Organizations**

The City, in conjunction with 20 other local governments, is a member of the North Carolina Municipal Power Agency No. 1 (the “Agency”). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency’s governing board. The 21 members who receive power from the Agency have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City’s purchases of power for the year ended June 30, 2015 were \$17,255,542.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The City is a member of the Isothermal Planning and Development Commission, one of eighteen regional Councils of Government in North Carolina. Four counties and 29 municipalities comprise the Commission. Participating governments established the Commission to coordinate various funding from federal and State agencies and to provide assistance for specific projects. Each participating unit of government appoints one member to the Commission's governing board. The City paid membership fees of approximately \$6,448 to the Commission during the year ended June 30, 2015.

### **5. Change in Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,459,197 and \$416,378, respectively.

#### **Restatement of Economic Development Commission Fund Loans Receivable**

The City restated fund balance in the Economic Development Commission fund during the current year to adjust for long-term loans receivable that have previously been reported as deferred inflows of resources. The restatement increased fund balance for governmental activities by \$66,423.





## **REQUIRED SUPPLEMENTARY INFORMATION**

This section consists of the following additional information required by accounting principles generally accepted in the United States of America:

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Post-Employment Benefits
- Schedule of Employer Contributions for the Other Post-Employment Benefits
- Notes to the Required Schedules for the Other Post-Employment Benefits
- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions to the Local Government Employees' Retirement System



## CITY OF SHELBY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		Liability (AAL)- Projected Unit Credit B					
12/31/2014	\$ -	\$ 1,415,342		\$ 1,415,342	0.00%	\$ 3,216,095	44.01%
12/31/2013	-	1,288,470		1,288,470	0.00%	2,902,613	44.39%
12/31/2012	-	1,157,832		1,157,832	0.00%	2,998,021	38.62%
12/31/2011	-	1,093,380		1,093,380	0.00%	2,946,990	37.10%
12/31/2010	-	1,055,843		1,055,843	0.00%	2,922,018	36.13%
12/31/2009	-	1,186,468		1,186,468	0.00%	2,994,601	39.62%
12/31/2008	-	941,730		941,730	0.00%	3,133,929	30.05%
12/31/2007	-	864,994		864,994	0.00%	2,775,946	31.16%

## Schedule of Employer Contributions

Year Ended June 30	Annual		Percentage of ARC Contributed
	Required Contribution (ARC)	Amount Contributed By Employer	
2015	\$ 175,856	\$ 39,456	22.44%
2014	142,088	39,456	27.77%
2013	131,524	35,233	26.79%
2012	126,530	55,809	44.11%
2011	136,737	79,997	58.50%
2010	110,532	75,265	68.09%

## Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.  
Additional information as of the latest valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
Cost-of-living adjustments	N/A
*Includes inflation at 3.00%	

## CITY OF SHELBY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL)- Projected Unit Credit		Unfunded AAL (UAAL) B - A	Funded Ratio A / B	Covered Payroll C	UAAL as a Percentage Covered Payroll (B - A) / C
		B					
12/31/2013	\$ -	\$ 13,897,998		\$ 13,897,998	0.00%	\$ 11,658,087	119.21%
12/31/2011	-	11,727,758		11,727,758	0.00%	11,602,746	101.08%
12/31/2009	-	10,875,002		10,875,002	0.00%	11,399,038	95.40%
12/31/2008	-	12,186,718		12,186,718	0.00%	12,197,685	99.91%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Amount Contributed By Employer	Percentage of ARC Contributed
2014	1,021,579	557,246	54.55%
2013	991,824	508,800	51.30%
2012	936,437	429,819	45.90%
2011	902,590	449,119	49.76%
2010	1,036,216	426,762	41.18%

## Notes to the Required Schedules:

The information presented above was determined as part of the actuarial valuation at the dates indicated.  
 Additional information as of the latest valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	9.50% - 5.00%
Year of ultimate trend rate	2018
* Includes inflation at 3.00%	



## CITY OF SHELBY, NORTH CAROLINA

CITY OF SHELBY'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS\*

<b>Local Government Employees' Retirement System</b>		
	<b>2015</b>	<b>2014</b>
Shelby's proportion of the net pension liability (asset) (%)	0.21615%	0.22520%
Shelby's proportion of the net pension liability (asset) (\$)	\$ (1,274,737)	\$ 2,714,525
Shelby's covered-employee payroll	\$ 11,775,999	\$ 11,242,846
Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 10.82%)	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

\*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\*This will be the same percentage for all participant employers in the LGERS plan.

## CITY OF SHELBY, NORTH CAROLINA

CITY OF SHELBY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARSLocal Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 851,812	\$ 838,951
Contributions in relation to the contractually required contribution	<u>851,812</u>	<u>838,951</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Shelby's covered-employee payroll	\$ 11,891,524	\$ 11,775,999
Contributions as a percentage of covered-employee payroll	7.16%	7.12%



## **GENERAL FUND**

The General Fund is the main operating fund of the City. It accounts for resources traditionally associated with government that are not required to be accounted for in other funds.



CITY OF SHELBY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 7,400,004	\$ 7,834,402	\$ 434,398	\$ 7,666,891
Prior years	210,000	305,723	95,723	214,754
Tax discounts	(20,000)	(19,102)	898	(19,033)
Interest and penalties	45,000	72,967	27,967	45,194
Total	<u>7,635,004</u>	<u>8,193,990</u>	<u>558,986</u>	<u>7,907,806</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	2,850,000	2,972,202	122,202	2,789,957
Privilege licenses	500	7,675	7,175	18,500
Total	<u>2,850,500</u>	<u>2,979,877</u>	<u>129,377</u>	<u>2,808,457</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payment in lieu of taxes	9,000	-	(9,000)	-
Utility franchise tax	1,550,000	1,834,935	284,935	1,586,083
Beer and wine tax	91,000	97,291	6,291	89,747
ABC revenue	60,000	74,551	14,551	64,711
Total	<u>1,710,000</u>	<u>2,006,777</u>	<u>296,777</u>	<u>1,740,541</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	618,000	618,172	172	616,363
Local occupancy tax	-	-	-	140,213
Federal and State grants	205,824	185,012	(20,812)	191,319
ABC law enforcement revenue	10,000	4,569	(5,431)	3,957
Rental vehicle gross receivable tax	27,000	39,819	12,819	32,311
Total	<u>860,824</u>	<u>847,572</u>	<u>(13,252)</u>	<u>984,163</u>
<b>Permits and Fees:</b>				
Building permits/inspection fees	120,000	199,882	79,882	178,305
Other permits	40,300	31,255	(9,045)	27,390
Filing fees	-	580	580	960
Total	<u>160,300</u>	<u>231,717</u>	<u>71,417</u>	<u>206,655</u>
<b>Sales and Services:</b>				
Court costs and fees	8,000	8,360	360	6,800
Fire protection	-	313	313	-
Cemetery revenue	-	(1,950)	(1,950)	(1,220)
Golf cart rentals	64,000	40,548	(23,452)	50,719
Recreation revenue	279,150	261,941	(17,209)	335,326
Garbage disposal fees	753,000	747,734	(5,266)	756,540

CITY OF SHELBY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
Recycling fees	270,000	268,123	(1,877)	256,096
Utility late fees	190,000	168,600	(21,400)	217,450
Airport fuel sales	320,000	277,072	(42,928)	333,339
Other rent	5,800	12,688	6,888	12,630
Total	1,889,950	1,783,429	(106,521)	1,967,680
<b>Investment Earnings</b>	65,000	128,840	63,840	171,537
<b>Miscellaneous:</b>				
Student resource officer	221,500	221,572	72	157,029
Public nuisance	55,000	71,510	16,510	47,863
Donations	-	5,000	5,000	328
Other	20,000	58,646	38,646	53,693
Total	296,500	356,728	60,228	258,913
Total revenues	15,468,078	16,528,930	1,060,852	16,045,752
<b>Expenditures:</b>				
<b>General Government:</b>				
Mayor and council	61,875	60,231	1,644	49,549
Administration and general	1,119,378	1,054,674	64,704	170,465
Finance	354,438	349,036	5,402	308,632
Purchasing	32,668	30,131	2,537	18,937
Legal	10,430	10,217	213	12,225
Human resources	149,039	139,201	9,838	389,987
City hall	110,508	107,502	3,006	151,708
Building and zoning	265,350	277,679	(12,329)	193,822
Community development	481,088	478,196	2,892	447,324
Special appropriations	806,622	797,289	9,333	721,576
Total	3,391,396	3,304,156	87,240	2,464,225
<b>Public Safety:</b>				
Police department	6,255,091	6,242,491	12,600	5,796,443
Fire department	4,320,944	3,413,110	907,834	3,249,833
Total	10,576,035	9,655,601	920,434	9,046,276
<b>Transportation:</b>				
Streets and highways	988,523	983,840	4,683	954,473
Street maintenance and repairs - Powell Bill	516,089	382,573	133,516	217,036
Street construction and improvement - Powell Bill	1,387,873	638,757	749,116	490,353
Garage	437,503	430,611	6,892	405,794
Airport	440,865	420,205	20,660	434,780
Total	3,770,853	2,855,986	914,867	2,502,436

CITY OF SHELBY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015		Variance Over/Under	2014
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
Sanitation	1,481,216	1,468,936	12,280	1,696,887
Recycling	262,700	261,284	1,416	262,758
Total	1,743,916	1,730,220	13,696	1,959,645
<b>Cultural and Recreational:</b>				
Parks and recreation	2,172,285	2,158,460	13,825	2,075,813
<b>Debt Service:</b>				
Principal retirement	923,000	958,869	(35,869)	923,248
Interest	50,300	13,106	37,194	25,421
Total	973,300	971,975	1,325	948,669
Total expenditures	22,627,785	20,676,398	1,951,387	18,997,064
Revenue over (under) expenditures	(7,159,707)	(4,147,468)	3,012,239	(2,951,312)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,885,000	3,885,000	-	2,685,000
Transfers (to) other funds	(263,467)	(263,467)	-	(421,943)
Long-term debt issued	1,514,933	1,514,933	-	560,000
Proceeds from the sale of capital assets	20,000	11,261	(8,739)	29,456
Appropriated fund balance	2,003,241	-	(2,003,241)	-
Total other financing sources (uses)	7,159,707	5,147,727	(2,011,980)	2,852,513
Net change in fund balance	\$ -	1,000,259	\$ 1,000,259	(98,799)
<b>Fund Balance:</b>				
Beginning of year - July 1		7,923,538		8,022,337
End of year - June 30		\$ 8,923,797		\$ 7,923,538







## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENTS AND SCHEDULES

Nonmajor governmental funds are combined and presented in the aggregate as “nonmajor funds” in the basic financial statements. The City’s nonmajor governmental funds are as follows:

### *Special Revenue Funds*

- **Emergency Telephone System Fund** – This fund accounts for collection of monies to provide enhanced 911 services.
- **Economic Development Commission Fund** – This fund is used to account for specific revenues that are restricted to fund continuing rehabilitation of redevelopment projects with certain targeted areas of the City and downtown revitalization.

### *Capital Project Funds*

- **Capital Projects Fund** – This fund is used to account for the acquisition or construction of various City assets.
- **Economic Development Project Fund** – This fund is used to account for City projects that support economic development efforts for the area.
- **Economic Development Reserve Fund** – This fund is used to account for financing transactions related to economic development efforts.

### *Permanent Funds*

- **Raper Roark Trust Fund** – This fund is used to account for contributed assets where the principal contributions must be held intact and the income earned by the principal will be used for redevelopment, revitalization, and beautification of downtown Shelby.
- **Cemetery Fund** – This fund is used to account for the perpetual care of the municipal cemetery.



## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 592,702	\$ 824,209	\$ -	\$ 1,416,911
Receivables, net:				
Taxes	11,423	-	-	11,423
Accounts	5,175	1,696	11,283	18,154
Interest	1,090	65	-	1,155
Loans	58,804	-	-	58,804
Due from other governments	20,531	667,474	-	688,005
Cash and cash equivalents - restricted	-	-	764,022	764,022
Total assets	<u>\$ 689,725</u>	<u>\$ 1,493,444</u>	<u>\$ 775,305</u>	<u>\$ 2,958,474</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 12,787	\$ 31,477	\$ -	\$ 44,264
Due to other funds	-	500,402	-	500,402
Due to other governments	-	1,200	-	1,200
Total liabilities	<u>12,787</u>	<u>533,079</u>	<u>-</u>	<u>545,866</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	<u>11,423</u>	<u>-</u>	<u>-</u>	<u>11,423</u>
Total deferred inflows of resources	<u>11,423</u>	<u>-</u>	<u>-</u>	<u>11,423</u>
<b>Fund Balances:</b>				
Non-spendable:				
Perpetual	-	-	764,022	764,022
Long-term portion of loans receivable	58,804	-	-	58,804
Restricted:				
Stabilization by State statute	26,796	669,235	11,283	707,314
Public safety	163,728	-	-	163,728
Committed:				
Capital projects	-	804,001	-	804,001
Assigned:				
Economic development	416,187	-	-	416,187
Unassigned	-	(512,871)	-	(512,871)
Total fund balances	<u>665,515</u>	<u>960,365</u>	<u>775,305</u>	<u>2,401,185</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 689,725</u>	<u>\$ 1,493,444</u>	<u>\$ 775,305</u>	<u>\$ 2,958,474</u>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Fund</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 103,588	\$ -	\$ -	\$ 103,588
Restricted intergovernmental	230,523	854,472	-	1,084,995
Investment earnings	3,385	7,973	3,038	14,396
Miscellaneous	143,481	-	-	143,481
Donations	-	-	60,984	60,984
Total revenues	<u>480,977</u>	<u>862,445</u>	<u>64,022</u>	<u>1,407,444</u>
<b>Expenditures:</b>				
General government	-	-	280	280
Public safety	69,990	-	-	69,990
Transportation	-	716,430	-	716,430
Housing and redevelopment	834,585	1,222,545	-	2,057,130
Total expenditures	<u>904,575</u>	<u>1,938,975</u>	<u>280</u>	<u>2,843,830</u>
Revenues over (under) expenditures	<u>(423,598)</u>	<u>(1,076,530)</u>	<u>63,742</u>	<u>(1,436,386)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,538,647	1,559,373	-	3,098,020
Transfers (to) other funds	<u>(1,136,000)</u>	<u>-</u>	<u>-</u>	<u>(1,136,000)</u>
Total other financing sources (uses)	<u>402,647</u>	<u>1,559,373</u>	<u>-</u>	<u>1,962,020</u>
Net change in fund balances	<u>(20,951)</u>	<u>482,843</u>	<u>63,742</u>	<u>525,634</u>
<b>Fund Balances:</b>				
Beginning of year - July 1	620,043	477,522	711,563	1,809,128
Restatement	<u>66,423</u>	<u>-</u>	<u>-</u>	<u>66,423</u>
Beginning of year - July 1, as restated	<u>686,466</u>	<u>477,522</u>	<u>711,563</u>	<u>1,875,551</u>
End of year - June 30	<u>\$ 665,515</u>	<u>\$ 960,365</u>	<u>\$ 775,305</u>	<u>\$ 2,401,185</u>

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Emergency Telephone System Fund</b>	<b>Economic Development Commission Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 163,954	\$ 428,748	\$ 592,702
Receivables, net:			
Taxes	-	11,423	11,423
Accounts	4,675	500	5,175
Interest	-	1,090	1,090
Loans	-	58,804	58,804
Due from other governments	-	20,531	20,531
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 168,629</u>	<u>\$ 521,096</u>	<u>\$ 689,725</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 226	\$ 12,561	\$ 12,787
Total liabilities	<u>226</u>	<u>12,561</u>	<u>12,787</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	-	11,423	11,423
Total deferred inflows of resources	<u>-</u>	<u>11,423</u>	<u>11,423</u>
<b>Fund Balances:</b>			
Non-spendable:			
Long-term portion of loans receivable	-	58,804	58,804
Restricted:			
Stabilization by State statute	4,675	22,121	26,796
Public safety	163,728	-	163,728
Assigned:			
Economic development	-	416,187	416,187
Total fund balances	<u>168,403</u>	<u>497,112</u>	<u>665,515</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 168,629</u>	<u>\$ 521,096</u>	<u>\$ 689,725</u>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Emergency Telephone System Fund</b>	<b>Economic Development Commission Fund</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ 103,588	\$ 103,588
Restricted intergovernmental	56,103	174,420	230,523
Investment earnings	-	3,385	3,385
Miscellaneous income	-	143,481	143,481
Total revenues	<u>56,103</u>	<u>424,874</u>	<u>480,977</u>
<b>Expenditures:</b>			
Public safety	69,990	-	69,990
Housing and redevelopment	-	834,585	834,585
Total expenditures	<u>69,990</u>	<u>834,585</u>	<u>904,575</u>
Revenues over (under) expenditures	<u>(13,887)</u>	<u>(409,711)</u>	<u>(423,598)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	-	1,538,647	1,538,647
Transfers to other funds	-	(1,136,000)	(1,136,000)
Total other financing sources (uses)	<u>-</u>	<u>402,647</u>	<u>402,647</u>
Net change in fund balances	<u>(13,887)</u>	<u>(7,064)</u>	<u>(20,951)</u>
<b>Fund Balances:</b>			
Beginning of year - July 1	182,290	437,753	620,043
Restatement	-	66,423	66,423
Beginning of year - July 1, as restated	<u>182,290</u>	<u>504,176</u>	<u>686,466</u>
End of year - June 30	<u>\$ 168,403</u>	<u>\$ 497,112</u>	<u>\$ 665,515</u>

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUND  
 EMERGENCY TELEPHONE SYSTEM FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<b>2015</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 45,728	\$ 56,103	\$ 10,375
Total revenues	<u>45,728</u>	<u>56,103</u>	<u>10,375</u>
<b>Expenditures:</b>			
Public safety:			
Software	27,500	25,638	1,862
Hardware	29,000	21,828	7,172
Phone system	34,690	22,524	12,166
Total expenditures	<u>91,190</u>	<u>69,990</u>	<u>21,200</u>
Revenues over (under) expenditures	(45,462)	(13,887)	31,575
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>45,462</u>	<u>-</u>	<u>(45,462)</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,887)</u>	<u>\$ (13,887)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>182,290</u>	
End of year - June 30		<u>\$ 168,403</u>	

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUND  
 ECONOMIC DEVELOPMENT COMMISSION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2015

	<b>2015</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 109,700	\$ 103,588	\$ (6,112)
Restricted intergovernmental	183,800	174,420	(9,380)
Investment earnings	3,000	3,385	385
Miscellaneous income	-	151,100	151,100
Total revenues	<u>296,500</u>	<u>432,493</u>	<u>135,993</u>
<b>Expenditures:</b>			
Housing and redevelopment	<u>840,847</u>	<u>834,585</u>	<u>6,262</u>
Revenues over (under) expenditures	<u>(544,347)</u>	<u>(402,092)</u>	<u>142,255</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	1,538,647	1,538,647	-
Transfers to other funds	<u>(1,136,000)</u>	<u>(1,136,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>544,347</u>	<u>402,647</u>	<u>(141,700)</u>
Net change in fund balance	<u>\$ -</u>	555	<u>\$ 555</u>
<b>Reconciliation of Budgetary Basis with Modified Accrual Basis:</b>			
Payment received on notes receivable		<u>(7,619)</u>	
Net change in fund balance (deficit), modified accrual basis		<u>(7,064)</u>	
<b>Fund Balance:</b>			
Beginning of year - July 1		437,753	
Restatement		<u>66,423</u>	
Beginning of year - July 1, as restated		<u>504,176</u>	
End of year - June 30		<u>\$ 497,112</u>	



## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<b>Capital Projects Fund</b>	<b>Economic Development Project Fund</b>	<b>Economic Development Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 624,734	\$ 199,475	\$ 824,209
Receivables, net	1,696	-	-	1,696
Interest	-	65	-	65
Due from other governments	433,296	234,178	-	667,474
Total assets	<u>\$ 434,992</u>	<u>\$ 858,977</u>	<u>\$ 199,475</u>	<u>\$ 1,493,444</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 11,269	\$ 20,208	\$ -	\$ 31,477
Due to other funds	500,402	-	-	500,402
Due to other governments	1,200	-	-	1,200
Total liabilities	<u>512,871</u>	<u>20,208</u>	<u>-</u>	<u>533,079</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	434,992	234,243	-	669,235
Committed	-	604,526	199,475	804,001
Unassigned	(512,871)	-	-	(512,871)
Total fund balances	<u>(77,879)</u>	<u>838,769</u>	<u>199,475</u>	<u>960,365</u>
Total liabilities and fund balances	<u>\$ 434,992</u>	<u>\$ 858,977</u>	<u>\$ 199,475</u>	<u>\$ 1,493,444</u>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR CAPITAL PROJECT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Capital Projects Fund</b>	<b>Economic Development Project Fund</b>	<b>Economic Development Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 517,777	\$ 336,695	\$ -	\$ 854,472
Investment earnings	<u>7,679</u>	<u>294</u>	<u>-</u>	<u>7,973</u>
Total revenues	<u>525,456</u>	<u>336,989</u>	<u>-</u>	<u>862,445</u>
<b>Expenditures:</b>				
Transportation	716,430	-	-	716,430
Redevelopment	<u>227,626</u>	<u>994,919</u>	<u>-</u>	<u>1,222,545</u>
Total expenditures	<u>944,056</u>	<u>994,919</u>	<u>-</u>	<u>1,938,975</u>
Revenues over (under) expenditures	(418,600)	(657,930)	-	(1,076,530)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>90,820</u>	<u>1,468,553</u>	<u>-</u>	<u>1,559,373</u>
Net change in fund balances	(327,780)	810,623	-	482,843
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>249,901</u>	<u>28,146</u>	<u>199,475</u>	<u>477,522</u>
End of year - June 30	<u><u>\$ (77,879)</u></u>	<u><u>\$ 838,769</u></u>	<u><u>\$ 199,475</u></u>	<u><u>\$ 960,365</u></u>

## CITY OF SHELBY, NORTH CAROLINA

**CAPITAL PROJECTS FUND - NONMAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Trail Grant	\$ 75,000	\$ 139,500	\$ -	\$ 139,500
Airport Grant 2011	166,667	59,380	81,806	141,186
Rural Center building reuse	799,500	799,500	-	799,500
Airport land easement	727,650	247,370	27,545	274,915
CDBG Catalyst Grant 2011	500,000	111,500	157,586	269,086
Airport Grant 2012-13	158,333	1,237	155,048	156,285
Airport Grant 2013-14	158,333	-	95,792	95,792
Investment earnings	-	79,189	7,679	86,868
Total revenues	<u>2,585,483</u>	<u>1,437,676</u>	<u>525,456</u>	<u>1,963,132</u>
<b>Expenditures:</b>				
Carolina Thread Trail	75,000	50,960	70,040	121,000
Airport Grant 2011	166,667	62,506	86,111	148,617
Rural Center building reuse	819,000	819,000	-	819,000
Airport land easement	808,500	260,390	28,995	289,385
CDBG Catalyst Grant 2011	500,000	111,500	157,586	269,086
Police department roof	170,500	176,701	-	176,701
FCC Roads Phase II	408,700	119,739	331,281	451,020
Airport Grant 2012-13	166,667	1,302	163,209	164,511
Airport Grant 2013-14 (AP131)	166,667	-	106,834	106,834
Total expenditures	<u>3,281,701</u>	<u>1,602,098</u>	<u>944,056</u>	<u>2,546,154</u>
Revenues over (under) expenditures	(696,218)	(164,422)	(418,600)	(583,022)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>696,218</u>	<u>414,323</u>	<u>90,820</u>	<u>505,143</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 249,901</u>	<u>\$ (327,780)</u>	<u>\$ (77,879)</u>

## CITY OF SHELBY, NORTH CAROLINA

ECONOMIC DEVELOPMENT PROJECT - NONMAJOR CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
County, local grants	\$ 2,076,447	\$ 1,576,624	\$ 336,695	\$ 1,913,319
Investment earnings	-	(179)	294	115
Total revenues	<u>2,076,447</u>	<u>1,576,445</u>	<u>336,989</u>	<u>1,913,434</u>
<b>Expenditures:</b>				
Payment to Cleveland County	349,748	349,738	-	349,738
Buildings	-	-	4,363	4,363
FCC Roads Phase 2	860,000	36,707	793,666	830,373
FCC job ready shell building #2	<u>3,000,000</u>	<u>2,751,854</u>	<u>196,890</u>	<u>2,948,744</u>
Total expenditures	<u>4,209,748</u>	<u>3,138,299</u>	<u>994,919</u>	<u>4,133,218</u>
Revenues over (under) expenditures	(2,133,301)	(1,561,854)	(657,930)	(2,219,784)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>2,133,301</u>	<u>1,590,000</u>	<u>1,468,553</u>	<u>3,058,553</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 28,146</u>	<u>\$ 810,623</u>	<u>\$ 838,769</u>

## CITY OF SHELBY, NORTH CAROLINA

ECONOMIC DEVELOPMENT RESERVE - NONMAJOR CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	\$ (1,500,000)	\$ (1,500,000)	\$ -	\$ (1,500,000)
Proceeds from sale of assets	<u>1,500,000</u>	<u>1,699,475</u>	<u>-</u>	<u>1,699,475</u>
Total other financing sources (uses)	<u>-</u>	<u>199,475</u>	<u>-</u>	<u>199,475</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 199,475</u>	<u>\$ -</u>	<u>\$ 199,475</u>

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR PERMANENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
<b>Assets:</b>			
Accounts receivable, net	\$ 11,283	\$ -	\$ 11,283
Cash and cash equivalents - restricted	<u>333,111</u>	<u>430,911</u>	<u>764,022</u>
Total assets	<u>\$ 344,394</u>	<u>\$ 430,911</u>	<u>\$ 775,305</u>
<b>Fund Balances:</b>			
Non-spendable:			
Perpetual	<u>\$ 344,394</u>	<u>\$ 430,911</u>	<u>\$ 775,305</u>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR PERMANENT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
<b>Revenues:</b>			
Investment earnings	\$ 3,038	\$ -	\$ 3,038
Donations	<u>2,494</u>	<u>58,490</u>	<u>60,984</u>
Total revenues	<u>5,532</u>	<u>58,490</u>	<u>64,022</u>
<b>Expenditures:</b>			
General government	<u>280</u>	<u>-</u>	<u>280</u>
Total expenditures	<u>280</u>	<u>-</u>	<u>280</u>
Net change in fund balances	5,252	58,490	63,742
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>339,142</u>	<u>372,421</u>	<u>711,563</u>
End of year - June 30	<u>\$ 344,394</u>	<u>\$ 430,911</u>	<u>\$ 775,305</u>







## **PROPRIETARY FUNDS ENTERPRISE FUNDS**

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services. The City maintains the following enterprise funds:

### *Major Enterprise Funds*

- **Water Fund** – This fund accounts for the revenues and expenses associated with the production, distribution, and transmission of potable water by the City to its users.
- **Sewer Fund** – This fund accounts for the revenues and expenses associated with operating and maintaining the City’s sewer systems.
- **Electric Fund** – This fund accounts for the revenues and expenses associated with the distribution and transmission of electricity by the City to its users.
- **Gas Fund** – This fund accounts for the revenues and expenses associated with the distribution of natural gas by the City to its users.

### *Nonmajor Enterprise Fund*

- **Stormwater Fund** – This fund accounts for the revenues and expenses associated with operating and maintaining the City’s stormwater systems.
- **Housing Assistance Fund** – This fund is used to account for the activities associated with housing projects for low-income persons, including families, elderly, and/or handicapped persons. Funding is from the City and the U.S. Department of Housing and Urban Development.



CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 4,452,000	\$ 4,636,041	\$ 184,041
Water taps	35,000	50,990	15,990
Water cutoffs	2,000	3,840	1,840
Other	<u>134,030</u>	<u>158,447</u>	<u>24,417</u>
Total operating revenues	<u>4,623,030</u>	<u>4,849,318</u>	<u>226,288</u>
Non-operating revenues:			
Grant - refund of interest expense	91,000	85,265	(5,735)
Investment earnings	<u>8,500</u>	<u>540</u>	<u>(7,960)</u>
Total non-operating revenues	<u>99,500</u>	<u>85,805</u>	<u>(13,695)</u>
Total revenues	<u>4,722,530</u>	<u>4,935,123</u>	<u>212,593</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	737,966	708,149	29,817
Operations	595,312	508,493	86,819
Maintenance and repairs	205,318	156,037	49,281
Treatment plant	1,398,031	1,277,425	120,606
Capital outlay	<u>1,007,480</u>	<u>810,772</u>	<u>196,708</u>
Total costs of sales and services	<u>3,944,107</u>	<u>3,460,876</u>	<u>483,231</u>
Debt service:			
Principal retirement	761,000	753,737	7,263
Interest	<u>400,000</u>	<u>399,124</u>	<u>876</u>
Total debt service	<u>1,161,000</u>	<u>1,152,861</u>	<u>8,139</u>
Total operating expenditures	<u>5,105,107</u>	<u>4,613,737</u>	<u>491,370</u>
Revenue over (under) expenditures	<u>(382,577)</u>	<u>321,386</u>	<u>703,963</u>

CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers (to) other funds	(377,000)	(377,000)	-
Long-term debt issued	119,000	119,000	-
Appropriated fund balance	640,577	-	(640,577)
Total other financing sources (uses)	<u>382,577</u>	<u>(258,000)</u>	<u>(640,577)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>63,386</u>	<u>\$ 63,386</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Reconciling items:			
Debt principal		753,737	
Long-term debt issued		(119,000)	
Capital outlay		810,772	
Decrease (increase) in compensated absences		(2,729)	
Decrease (increase) in other post-employment benefits		(22,763)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		43,442	
Pension expense		(2,815)	
Depreciation and amortization		(861,866)	
Water Capital Projects Fund activity		12	
Water Capital Projects Fund intrafund transfer		<u>372,000</u>	
Total reconciling items		<u>970,790</u>	
Change in net position		<u>\$ 1,034,176</u>	

## CITY OF SHELBY, NORTH CAROLINA

## ENTERPRISE FUND

## WATER CAPITAL PROJECTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND

## OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years*	Current Year	
<b>Revenues:</b>				
<b>Capital Grants:</b>				
Project #830 - Artee Washburn Rd Water Line	\$ 419,900	\$ 360,111	\$ -	\$ 360,111
Project #831 - KSM Water Line	146,320	104,810	-	104,810
Investment earnings	-	69,473	12	69,485
Total revenues	<u>566,220</u>	<u>534,394</u>	<u>12</u>	<u>534,406</u>
<b>Expenditures:</b>				
Project #822 - Eastside Water Tank	147,000	47,256	68,395	115,651
Project #829 - Plato Lee Water Line Relocation	105,700	5,700	-	5,700
Project #830 Artee Washburn Rd Water Line	419,900	360,416	-	360,416
Project #831 KSM Water Line	182,920	109,022	-	109,022
Project #832 FCC Waterline Phase 2	98,400	85,231	12,099	97,330
Project #833 Grover-Morgan Waterline Project	<u>225,000</u>	<u>-</u>	<u>46,400</u>	<u>46,400</u>
Total expenditures	<u>1,178,920</u>	<u>607,625</u>	<u>126,894</u>	<u>734,519</u>
Revenues over (under) expenditures	<u>(612,700)</u>	<u>(73,231)</u>	<u>(126,882)</u>	<u>(200,113)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>612,700</u>	<u>240,700</u>	<u>372,000</u>	<u>612,700</u>
Total other financing sources (uses)	<u>612,700</u>	<u>240,700</u>	<u>372,000</u>	<u>612,700</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 167,469</u>	<u>\$ 245,118</u>	<u>\$ 412,587</u>

\*Prior period balances have been restated to correct prior years intrafund transfers.

CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 5,028,000	\$ 4,939,104	\$ (88,896)
Other fees	20,000	33,760	13,760
Other operating revenues	120,800	108,930	(11,870)
Total operating revenue	<u>5,168,800</u>	<u>5,081,794</u>	<u>(87,006)</u>
Non-operating revenues:			
Grant - refund of interest expense	37,500	34,857	(2,643)
Investment earnings	5,000	97	(4,903)
Total non-operating revenues	<u>42,500</u>	<u>34,954</u>	<u>(7,546)</u>
Total revenues	<u>5,211,300</u>	<u>5,116,748</u>	<u>(94,552)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	746,824	713,223	33,601
Line operation	540,550	487,699	52,851
Maintenance and repairs	390,192	334,949	55,243
Treatment plant	1,440,166	1,344,728	95,438
Capital outlay	1,067,156	681,906	385,250
Total costs of sales and services	<u>4,184,888</u>	<u>3,562,505</u>	<u>622,383</u>
Debt service:			
Principal retirement	1,240,000	1,205,629	34,371
Interest	254,000	270,288	(16,288)
Total debt service	<u>1,494,000</u>	<u>1,475,917</u>	<u>18,083</u>
Total operating expenditures	<u>5,678,888</u>	<u>5,038,422</u>	<u>640,466</u>
Revenues over (under) expenditures	<u>(467,588)</u>	<u>78,326</u>	<u>545,914</u>

CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - SEWER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers (to) other funds	(80,000)	(80,000)	-
Long-term debt issued	85,500	85,500	-
Appropriated fund balance	<u>462,088</u>	-	<u>(462,088)</u>
Total other financing sources (uses)	<u>467,588</u>	<u>5,500</u>	<u>(462,088)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>83,826</u>	<u>\$ 83,826</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Long-term debt issued		(85,500)	
Debt principal		1,205,629	
Capital outlay		681,906	
(Increase) decrease in compensated absences		(4,478)	
(Increase) decrease in other post-employment benefits		(28,384)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		46,850	
Pension expense		(3,036)	
Depreciation and amortization		(1,116,897)	
Net Sewer Capital Projects Fund activity		<u>74,492</u>	
Total reconciling items		<u>770,582</u>	
Change in net position		<u>\$ 854,408</u>	

## CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND  
 SEWER CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years*	Current Year	
<b>Revenues:</b>				
Project #868 - Brushy Creek sewer outfall	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Investment earnings	-	71,572	(508)	71,064
Total revenues	<u>250,000</u>	<u>321,572</u>	<u>(508)</u>	<u>321,064</u>
<b>Expenditures:</b>				
Project #861 - Artee Sewer Line Extension Project	206,000	161,520	14,490	176,010
Project #865 - First Broad Wastewater Treatment Plant improvements	10,200,000	884,012	6,524,096	7,408,108
Project #866 - Wastewater outfall line improvements	3,398,640	177,523	2,792,676	2,970,199
Project #868 - Brushy Creek sewer outfall	500,000	-	179,996	179,996
Project #869- Compost facility improvements	<u>75,000</u>	<u>-</u>	<u>9,008</u>	<u>9,008</u>
Total expenditures	<u>14,379,640</u>	<u>1,223,055</u>	<u>9,520,266</u>	<u>10,743,321</u>
Revenues over (under) expenditures	<u>(14,129,640)</u>	<u>(901,483)</u>	<u>(9,520,774)</u>	<u>(10,422,257)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	516,640	516,640	-	516,640
Intrafund transfers to (from) other funds	75,000	-	75,000	75,000
Long-term debt issued	13,332,000	-	8,229,625	8,229,625
Appropriated fund balance	<u>206,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>14,129,640</u>	<u>516,640</u>	<u>8,304,625</u>	<u>8,821,265</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (384,843)</u>	<u>\$ (1,216,149)</u>	<u>\$ (1,600,992)</u>

\*Prior period balances have been restated to correct prior years intrafund transfers.



CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 22,218,050	\$ 22,153,935	\$ (64,115)
Other fees	100,000	-	(100,000)
Other operating revenues	146,850	132,391	(14,459)
Total operating revenue	<u>22,464,900</u>	<u>22,286,326</u>	<u>(178,574)</u>
<b>Non-Operating Revenues:</b>			
Investment earnings	<u>20,000</u>	<u>2,652</u>	<u>(17,348)</u>
Total non-operating revenues	<u>20,000</u>	<u>2,652</u>	<u>(17,348)</u>
Total revenues	<u>22,484,900</u>	<u>22,288,978</u>	<u>(195,922)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	942,885	943,752	(867)
Line operation	20,148,080	20,132,069	16,011
Capital outlay	<u>378,005</u>	<u>191,483</u>	<u>186,522</u>
Total costs of sales and services	<u>21,468,970</u>	<u>21,267,304</u>	<u>201,666</u>
Debt service:			
Principal repayment	531,000	525,265	5,735
Interest and fees	<u>118,000</u>	<u>120,440</u>	<u>(2,440)</u>
Total debt service	<u>649,000</u>	<u>645,705</u>	<u>3,295</u>
Total expenditures	<u>22,117,970</u>	<u>21,913,009</u>	<u>204,961</u>
Revenues over (under) expenditures	<u>366,930</u>	<u>375,969</u>	<u>9,039</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(545,000)	(545,000)	-
Appropriated fund balance	<u>178,070</u>	<u>-</u>	<u>(178,070)</u>
Total other financing sources (uses)	<u>(366,930)</u>	<u>(545,000)</u>	<u>(178,070)</u>

CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - ELECTRIC FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(169,031)	\$ (169,031)
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Debt principal		525,265	
Capital outlay		155,841	
(Increase) decrease in compensated absences		16,710	
(Increase) decrease in other post-employment benefits		(17,407)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		34,072	
Pension expense		(2,208)	
Depreciation and amortization		(773,147)	
Electric Capital Projects Fund activity		4,427	
Net Electric Reserve Fund activity		<u>3,911</u>	
Total reconciling items		<u>(52,536)</u>	
Change in net position		<u>\$ (221,567)</u>	

## CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND  
 ELECTRIC CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years*	Current Year	
<b>Revenues:</b>				
Project #860 - NC DOT Grant	\$ 39,100	\$ -	\$ -	\$ -
Investment earnings	-	121,040	4,427	125,467
Total revenues	<u>39,100</u>	<u>121,040</u>	<u>4,427</u>	<u>125,467</u>
<b>Expenditures:</b>				
Project #860 - Dekalb Street	39,100	-	-	-
Project #865 - Artee Road electric line relocation	114,000	3,285	-	3,285
Total expenditures	<u>153,100</u>	<u>3,285</u>	<u>-</u>	<u>3,285</u>
Revenues over (under) expenditures	(114,000)	117,755	4,427	122,182
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>114,000</u>	<u>114,000</u>	<u>-</u>	<u>114,000</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 231,755</u>	<u>\$ 4,427</u>	<u>\$ 236,182</u>

\*Prior period balances have been restated to correct prior years intrafund transfers.

## CITY OF SHELBY, NORTH CAROLINA

## ENTERPRISE FUND

## ELECTRIC CAPITAL RESERVE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Non-operating revenues:			
Investment earnings	\$ -	\$ 3,911	\$ 3,911
Total non-operating revenues	<u>-</u>	<u>3,911</u>	<u>3,911</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,911</u>	<u>\$ 3,911</u>

## CITY OF SHELBY, NORTH CAROLINA

**ENTERPRISE FUND - GAS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 18,220,500	\$ 17,445,271	\$ (775,229)
Other fees	35,000	45,986	10,986
Other operating revenues	70,664	100,143	29,479
Total operating revenue	<u>18,326,164</u>	<u>17,591,400</u>	<u>(734,764)</u>
Non-operating revenues:			
Grant - refund of interest expense	10,700	9,894	(806)
Investment earnings	15,000	(867)	(15,867)
Total non-operating revenues	<u>25,700</u>	<u>9,027</u>	<u>(16,673)</u>
Total revenues	<u>18,351,864</u>	<u>17,600,427</u>	<u>(751,437)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	2,564,189	2,478,368	85,821
Line operation	12,477,536	11,496,504	981,032
Capital outlay	1,649,223	1,033,066	616,157
Total costs of sales and services	<u>16,690,948</u>	<u>15,007,938</u>	<u>1,683,010</u>
Debt service:			
Principal repayment	800,000	707,962	92,038
Interest and fees	121,000	118,566	2,434
Total debt service	<u>921,000</u>	<u>826,528</u>	<u>94,472</u>
Total expenditures	<u>17,611,948</u>	<u>15,834,466</u>	<u>1,777,482</u>
Revenues over (under) expenditures	<u>739,916</u>	<u>1,765,961</u>	<u>1,026,045</u>

## CITY OF SHELBY, NORTH CAROLINA

**ENTERPRISE FUND - GAS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(5,028,563)	(5,028,553)	10
Intrafund transfers	(250,000)	(250,000)	-
Long-term debt issued	90,000	90,000	-
Appropriated fund balance	4,448,647	-	(4,448,647)
Total other financing sources (uses)	<u>(739,916)</u>	<u>(5,188,553)</u>	<u>(4,448,637)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(3,422,592)</u>	<u>\$ (3,422,592)</u>

**Reconciliation of Modified Accrual Basis  
with Accrual Basis:**

Debt principal	707,962
Long-term debt issued	(90,000)
Capital outlay	1,033,067
(Increase) decrease in compensated absences	2,065
(Increase) decrease in other post-employment benefits	(22,378)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	46,850
Pension expense	(3,036)
Depreciation and amortization	(647,555)
Gas Capital Project Fund interest	4,739
Gas Capital Reserve Fund intrafund transfer	<u>250,000</u>
Total reconciling items	<u>1,281,714</u>
Change in net position	<u>\$ (2,140,878)</u>

## CITY OF SHELBY, NORTH CAROLINA

## ENTERPRISE FUND

## GAS CAPITAL PROJECTS FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Project Authorization	Actual		Total
		Prior Years*	Current Year	
<b>Revenues:</b>				
Project #879 - Artee Washburn				
Road gas line relocation	\$ 492,500	\$ 261,738	\$ -	\$ 261,738
Investment earnings	-	45,906	4,739	50,645
Total revenues	<u>492,500</u>	<u>307,644</u>	<u>4,739</u>	<u>312,383</u>
<b>Expenditures:</b>				
Project #878 - Plato Lee gas line relocation	138,045	11,091	85	11,176
Project #879 - Artee/Washburn Road gas line relocation	492,500	266,982	-	266,982
Project #880 - NC226 Polkville Road gas line relocation	241,000	225,339	-	225,339
Project #881 - R2707AA US 74 gas line relocation	<u>337,510</u>	<u>204,474</u>	<u>-</u>	<u>204,474</u>
Total expenditures	<u>1,209,055</u>	<u>707,886</u>	<u>85</u>	<u>707,971</u>
Revenues over (under) expenditures	<u>(716,555)</u>	<u>(400,242)</u>	<u>4,654</u>	<u>(395,588)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>716,555</u>	<u>716,555</u>	<u>-</u>	<u>716,555</u>
Total other financing sources (uses)	<u>716,555</u>	<u>716,555</u>	<u>-</u>	<u>716,555</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 316,313</u>	<u>\$ 4,654</u>	<u>\$ 320,967</u>

\*Prior period balances have been restated to correct prior years intrafund transfers.

## CITY OF SHELBY, NORTH CAROLINA

## ENTERPRISE FUND

## GAS CAPITAL RESERVE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES -

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	\$ 250,000	\$ 250,000	\$ -
Appropriated fund balance	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
Total other financing sources (uses)	<u>-</u>	<u>250,000</u>	<u>250,000</u>
 Revenue and other financing sources over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>\$ 250,000</u>	 <u>\$ 250,000</u>



## CITY OF SHELBY, NORTH CAROLINA

## COMBINING STATEMENT OF NET POSITION

## NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2015

	<b>Stormwater Fund</b>	<b>Housing Assistance Fund</b>	<b>Total Nonmajor Funds</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 193,514	\$ 2,206,855	\$ 2,400,369
Accounts receivable, net	83,943	2,570	86,513
Inventories	1,257	-	1,257
Prepaid items	-	1,582	1,582
Total current assets	<u>278,714</u>	<u>2,211,007</u>	<u>2,489,721</u>
Non-current assets:			
Net pension asset	-	26,769	26,769
Restricted cash and cash equivalents	-	39,779	39,779
Capital assets, non-depreciable	-	287,753	287,753
Capital assets, net	275,634	4,609,940	4,885,574
Total non-current assets	<u>275,634</u>	<u>4,964,241</u>	<u>5,239,875</u>
Total assets	<u>554,348</u>	<u>7,175,248</u>	<u>7,729,596</u>
<b>Deferred Outflows of Resources:</b>			
Contributions to pension plan in current fiscal year	-	17,888	17,888
Total deferred outflows of resources	<u>-</u>	<u>17,888</u>	<u>17,888</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	1,488	17,407	18,895
Due to other funds	-	385	385
Unearned revenue	-	2,349	2,349
Compensated absences payable	400	5,000	5,400
Current portion of long-term debt	9,696	-	9,696
Liabilities payable from restricted assets:			
Customer deposits	-	39,779	39,779
Total current liabilities	<u>11,584</u>	<u>64,920</u>	<u>76,504</u>
Non-current liabilities:			
Compensated absences payable	1,042	15,152	16,194
Other long-term debt	40,304	-	40,304
Other post-employment benefits	-	76,650	76,650
Total non-current liabilities	<u>41,346</u>	<u>91,802</u>	<u>133,148</u>
Total liabilities	<u>52,930</u>	<u>156,722</u>	<u>209,652</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	-	67,316	67,316
<b>Net Position:</b>			
Net investment in capital assets	225,634	4,897,693	5,123,327
Unrestricted	<u>275,784</u>	<u>2,071,405</u>	<u>2,347,189</u>
Total net position	<u>\$ 501,418</u>	<u>\$ 6,969,098</u>	<u>\$ 7,470,516</u>

## CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Nonmajor Funds</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 721,932	\$ 589,021	\$ 1,310,953
Other fees	74,000	-	74,000
Other operating revenues	-	3,718	3,718
Total operating revenues	<u>795,932</u>	<u>592,739</u>	<u>1,388,671</u>
<b>Operating Expenses:</b>			
Administration	290,838	394,360	685,198
Operations and maintenance	-	609,489	609,489
Depreciation and amortization	3,580	217,545	221,125
Total operating expenses	<u>294,418</u>	<u>1,221,394</u>	<u>1,515,812</u>
Operating income (loss)	<u>501,514</u>	<u>(628,655)</u>	<u>(127,141)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Operating grants	-	461,552	461,552
Investment earnings	(96)	11,633	11,537
Total non-operating revenues (expenses)	<u>(96)</u>	<u>473,185</u>	<u>473,089</u>
Income (loss) before capital contributions	501,418	(155,470)	345,948
Capital contributions	<u>-</u>	<u>165,918</u>	<u>165,918</u>
Change in net position	<u>501,418</u>	<u>10,448</u>	<u>511,866</u>
<b>Net Position:</b>			
Beginning year - July 1	-	6,998,037	6,998,037
Prior period adjustment	<u>-</u>	<u>(39,387)</u>	<u>(39,387)</u>
Beginning year - July 1, as restated	<u>-</u>	<u>6,958,650</u>	<u>6,958,650</u>
End of year - June 30	<u>\$ 501,418</u>	<u>\$ 6,969,098</u>	<u>\$ 7,470,516</u>

**CITY OF SHELBY, NORTH CAROLINA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Stormwater Fund</b>	<b>Housing Assistance Fund</b>	<b>Nonmajor Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 711,989	\$ 596,084	\$ 1,308,073
Cash paid for goods and services	(289,165)	(608,587)	(897,752)
Cash paid to employees	-	(402,279)	(402,279)
Net cash provided (used) by operating activities	<u>422,824</u>	<u>(414,782)</u>	<u>8,042</u>
 <b>Cash Flows from Non-Capital Financing Activities:</b>			
Proceeds from operating grants	-	461,553	461,553
Increase (decrease) in due from other funds	-	310	310
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>461,863</u>	<u>461,863</u>
 <b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(279,214)	(177,860)	(457,074)
Capital contributions - grants	-	165,918	165,918
Proceeds from issuance of long-term debt	50,000	-	50,000
Net cash provided (used) for capital and related financing activities	<u>(229,214)</u>	<u>(11,942)</u>	<u>(241,156)</u>
 <b>Cash Flows from Investing Activities:</b>			
Interest received from investments	<u>(96)</u>	<u>11,633</u>	<u>11,537</u>
Net cash provided (used) by investing activities	<u>(96)</u>	<u>11,633</u>	<u>11,537</u>
 Net increase (decrease) in cash and cash equivalents	193,514	46,772	240,286
 <b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>-</u>	<u>2,199,862</u>	<u>2,199,862</u>
End of year - June 30	<u>\$ 193,514</u>	<u>\$ 2,246,634</u>	<u>\$ 2,440,148</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Stormwater Fund</b>	<b>Housing Assistance Fund</b>	<b>Nonmajor Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 501,514	\$ (628,655)	\$ (127,141)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,580	217,545	221,125
Pension expense	-	1,159	1,159
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(83,943)	21	(83,922)
(Increase) decrease in inventories	(1,257)	-	(1,257)
(Increase) decrease in prepaids	-	(832)	(832)
Increase (decrease) in accounts payable and accrued liabilities	1,488	1,734	3,222
Increase (decrease) in unearned revenues	-	2,349	2,349
Increase (decrease) in customer deposits	-	975	975
Increase (decrease) in compensated absences	1,442	(1,157)	285
(Increase) decrease in deferred outflows-pension	-	(17,888)	(17,888)
Increase (decrease) in other post-employment benefits	-	9,967	9,967
Net cash provided (used) by operating activities	<u>\$ 422,824</u>	<u>\$ (414,782)</u>	<u>\$ 8,042</u>

## CITY OF SHELBY, NORTH CAROLINA

**ENTERPRISE FUND - STORMWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 635,925	\$ 721,932	\$ 86,007
Other fees	74,000	74,000	-
Total operating revenue	<u>709,925</u>	<u>795,932</u>	<u>86,007</u>
Non-operating revenues:			
Investment earnings	-	(96)	(96)
Total non-operating revenues	<u>-</u>	<u>(96)</u>	<u>(96)</u>
Total revenues	<u>709,925</u>	<u>795,836</u>	<u>85,911</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	483,925	290,838	193,087
Capital outlay	276,000	279,214	(3,214)
Total costs of sales and services	<u>759,925</u>	<u>570,052</u>	<u>189,873</u>
Total expenditures	<u>759,925</u>	<u>570,052</u>	<u>189,873</u>
Revenues over (under) expenditures	<u>(50,000)</u>	<u>225,784</u>	<u>275,784</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	50,000	50,000	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>275,784</u>	<u>\$ 275,784</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Long-term debt issued		(50,000)	
Capital outlay		279,214	
Depreciation and amortization		(3,580)	
Total reconciling items		<u>225,634</u>	
Change in net position		<u>\$ 501,418</u>	

## CITY OF SHELBY, NORTH CAROLINA

**ENTERPRISE FUND - HOUSING ASSISTANCE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 572,600	\$ 589,021	\$ 16,421
Other operating revenues	5,000	3,718	(1,282)
Total operating revenue	<u>577,600</u>	<u>592,739</u>	<u>15,139</u>
Non-operating revenues:			
Operating and capital grants	696,996	627,470	(69,526)
Investment earnings	1,000	11,633	10,633
Total non-operating revenues	<u>697,996</u>	<u>639,103</u>	<u>(58,893)</u>
Total revenues	<u>1,275,596</u>	<u>1,231,842</u>	<u>(43,754)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	367,500	395,517	(28,017)
Operating and maintenance	642,388	616,251	26,137
Capital outlay	265,708	173,010	92,698
Total costs of sales and services	<u>1,275,596</u>	<u>1,184,778</u>	<u>90,818</u>
Total expenditures	<u>1,275,596</u>	<u>1,184,778</u>	<u>90,818</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>47,064</u>	<u>\$ 47,064</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Capital outlay		173,010	
Decrease (increase) in compensated absences		1,157	
Decrease (increase) in other post-employment benefits		(9,967)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		17,888	
Pension expense		(1,159)	
Depreciation		<u>(217,545)</u>	
Total reconciling items		<u>(36,616)</u>	
Change in net position		<u>\$ 10,448</u>	

## CITY OF SHELBY, NORTH CAROLINA

## ENTERPRISE FUND

## HOUSING CAPITAL PROJECTS FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Expenditures:</b>				
Land	\$ 239,750	\$ 43,762	\$ -	\$ 43,762
Construction	<u>-</u>	<u>4,730</u>	<u>4,850</u>	<u>9,580</u>
Total expenditures	<u>239,750</u>	<u>48,492</u>	<u>4,850</u>	<u>53,342</u>
Revenues over (under) expenditures	<u>(239,750)</u>	<u>(48,492)</u>	<u>(4,850)</u>	<u>(53,342)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>239,750</u>	<u>239,750</u>	<u>-</u>	<u>239,750</u>
Total other financing sources (uses)	<u>239,750</u>	<u>239,750</u>	<u>-</u>	<u>239,750</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 191,258</u>	<u>\$ (4,850)</u>	<u>\$ 186,408</u>







## **OTHER SUPPLEMENTAL INFORMATION**

This section contains additional information on capital assets, property taxes, and schedules required by the U.S. Department of Housing and Urban Development.



**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE\*  
JUNE 30, 2015**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 7,999,579	\$ 7,836,463	\$ 163,116
2013-2014	233,511	-	151,803	81,708
2012-2013	91,054	-	42,496	48,558
2011-2012	35,426	-	6,798	28,628
2010-2011	24,347	-	4,638	19,709
2009-2010	22,667	-	1,444	21,223
2008-2009	16,183	-	779	15,404
2007-2008	14,344	-	598	13,746
2006-2007	14,767	-	408	14,359
2005-2006	14,802	-	451	14,351
2004-2005	11,768	-	11,768	-
Total	<u>\$ 478,869</u>	<u>\$ 7,999,579</u>	<u>\$ 8,057,646</u>	420,802

Less: allowance for uncollectible ad valorem taxes receivable (147,000)

Ad valorem taxes receivable, net \$ 273,802

**Reconciliation with Revenues:**

Ad valorem taxes - General Fund	\$ 8,193,990
Ad valorem taxes - Special Revenue Fund	103,588
Interest and penalties collected	(74,614)
Discounts allowed	19,662
Discoveries of prior years' taxes	(193,795)
Miscellaneous adjustments	(2,953)
Arrears written off for tax year 2004-2005 per Statute of Limitations	<u>11,768</u>

Total collections and credits \$ 8,057,646

\*Schedule includes both City-wide and municipal service district taxes.

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
ALL DISTRICTS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Total</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 1,736,377,241	0.435	\$ 7,553,241	\$ 7,028,998	\$ 524,243
Municipal service district taxed at current year's rate	<u>49,551,145</u>	0.655	<u>324,560</u>	<u>315,325</u>	<u>9,235</u>
Total original levy	<u>1,785,928,386</u>		<u>7,877,801</u>	<u>7,344,323</u>	<u>533,478</u>
<b>Discoveries:</b>					
Property taxed at current year's rate	44,542,069	0.435	193,758	193,758	-
Municipal service district taxed at current year's rate	<u>5,649</u>	0.655	<u>37</u>	<u>37</u>	<u>-</u>
Total discoveries	<u>44,547,718</u>		<u>193,795</u>	<u>193,795</u>	<u>-</u>
<b>Abatements:</b>					
Property taxed at current year's rate	16,191,494	0.435	70,433	70,433	-
Municipal service district taxed at current year's rate	<u>241,832</u>	0.655	<u>1,584</u>	<u>1,584</u>	<u>-</u>
Total abatements	<u>16,433,326</u>		<u>72,017</u>	<u>72,017</u>	<u>-</u>
Total property valuation	<u>\$ 1,814,042,778</u>				
<b>Net Levy</b>			7,999,579	7,466,101	533,478
Uncollected taxes at June 30, 2015			<u>163,116</u>	<u>163,116</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 7,836,463</u>	<u>\$ 7,302,985</u>	<u>\$ 533,478</u>
<b>Current Levy Collection Percentage</b>			<u>97.96%</u>	<u>97.82%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>97.09%</u>	<u>97.21%</u>	<u>95.82%</u>

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 1,736,377,241	0.435	\$ 7,553,241	\$ 7,028,998	\$ 524,243
<b>Discoveries:</b>					
Property taxed at current year's rate	44,542,069	0.435	193,758	193,758	-
<b>Abatements:</b>					
Property taxed at current year's rate	<u>16,191,494</u>	0.435	<u>70,433</u>	<u>70,433</u>	<u>-</u>
Total property valuation	<u>\$ 1,764,727,816</u>				
<b>Net Levy</b>			7,676,566	7,152,323	524,243
Uncollected taxes at June 30, 2015			<u>149,331</u>	<u>149,331</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 7,527,235</u>	<u>\$ 7,002,992</u>	<u>\$ 524,243</u>
<b>Current Levy Collection Percentage</b>			<u>98.05%</u>	<u>97.91%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>97.12%</u>	<u>97.19%</u>	<u>96.36%</u>

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
MUNICIPAL SERVICE DISTRICT LEVY  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Municipal Service District</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 49,551,145	0.655	\$ 324,560	\$ 315,325	\$ 9,235
<b>Discoveries:</b>					
Property taxed at current year's rate	5,649	0.655	37	37	-
<b>Abatements:</b>					
Property taxed at current year's rate	<u>241,832</u>	0.655	<u>1,584</u>	<u>1,584</u>	<u>-</u>
Total property valuation	<u>\$ 49,314,962</u>				
<b>Net Levy</b>			323,013	313,778	9,235
Uncollected taxes at June 30, 2015			<u>13,785</u>	<u>13,785</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 309,228</u>	<u>\$ 299,993</u>	<u>\$ 9,235</u>
<b>Current Levy Collection Percentage</b>			<u>95.73%</u>	<u>95.61%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>96.49%</u>	<u>97.67%</u>	<u>65.96%</u>

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2015

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
	<b>Assets:</b>			
	Current assets:			
	Cash:			
111	Cash - unrestricted	\$ 222,479	\$ 2,349	\$ 224,828
114	Cash - tenant security deposits	39,779	-	39,779
100	Total cash	<u>262,258</u>	<u>2,349</u>	<u>264,607</u>
129	Accrued interest receivable	2,570	-	2,570
120	Total receivables, net allowances for uncollectibles	<u>2,570</u>	<u>-</u>	<u>2,570</u>
131	Investments - unrestricted	1,982,027	-	1,982,027
142	Prepaid expenses and other assets	1,582	-	1,582
150	Total current assets	<u>2,248,437</u>	<u>2,349</u>	<u>2,250,786</u>
	Non-current assets:			
174-050	Other Assets - net pension asset	26,769	-	26,769
	Fixed assets:			
161	Land	287,753	-	287,753
162	Buildings	9,568,778	165,918	9,734,696
163	Furniture, equipment, and machinery - dwellings	303,422	-	303,422
166	Accumulated depreciation	<u>(5,679,983)</u>	<u>-</u>	<u>(5,679,983)</u>
160	Total fixed assets, net of accumulated depreciation	<u>4,479,970</u>	<u>165,918</u>	<u>4,645,888</u>
180	Total non-current assets	<u>4,506,739</u>	<u>165,918</u>	<u>4,672,657</u>
190	Total assets	<u>6,755,176</u>	<u>168,267</u>	<u>6,923,443</u>
	<b>Deferred Outflows of Resources:</b>			
	Contributions to pension plan in current fiscal year	17,888	-	17,888
200	Total deferred outflows of resources	<u>17,888</u>	<u>-</u>	<u>17,888</u>
290	Total assets and deferred outflows of resources	<u>\$ 6,773,064</u>	<u>\$ 168,267</u>	<u>\$ 6,941,331</u>
	<b>Liabilities and Net Position</b>			
	Liabilities:			
	Current liabilities:			
312	Accounts payable < 90 days	\$ 9,320	\$ -	\$ 9,320
321	Accrued wages/payroll taxes payable	8,472	-	8,472
322	Accrued compensated absences	5,000	-	5,000
341	Tenant security deposits	39,779	-	39,779
342	Deferred revenues	-	2,349	2,349
310	Total current liabilities	<u>62,571</u>	<u>2,349</u>	<u>64,920</u>
	Non-current liabilities:			
354	Accrued compensated absences - non-current	15,152	-	15,152
	Other post-employment benefits	76,650	-	76,650
350	Total non-current liabilities	<u>91,802</u>	<u>-</u>	<u>91,802</u>
300	Total liabilities	<u>154,373</u>	<u>2,349</u>	<u>156,722</u>
	<b>Deferred Inflows of Resources</b>			
400	Pension deferrals	67,316	-	67,316
	Net position:			
508.1	Net investment in capital assets	4,479,970	165,918	4,645,888
512.1	Unrestricted net position	2,071,405	-	2,071,405
513	Total net position	<u>6,551,375</u>	<u>165,918</u>	<u>6,717,293</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,773,064</u>	<u>\$ 168,267</u>	<u>\$ 6,941,331</u>

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
<b>Revenue:</b>				
703	Net tenant rental revenue	\$ 589,021	\$ -	\$ 589,021
705	Total tenant revenue	<u>589,021</u>	<u>-</u>	<u>589,021</u>
706	HUD PHA operating grants	461,552	-	461,552
706.1	HUD PHA capital grants	-	165,918	165,918
711	Investment income - unrestricted	11,633	-	11,633
715	Other revenues	<u>3,718</u>	<u>-</u>	<u>3,718</u>
700	Total revenues	<u>1,065,924</u>	<u>165,918</u>	<u>1,231,842</u>
<b>Expenses:</b>				
Administrative:				
911	Administrative salaries	257,471	-	257,471
912	Audit services	10,767	-	10,767
915	Employee benefit contributions - administrative	100,340	-	100,340
Tenant services:				
924	Tenant services - other	3,614	-	3,614
Utilities:				
931	Water	124,430	-	124,430
932	Electricity	143,066	-	143,066
933	Gas	123,289	-	123,289
942	Ordinary maintenance and operation - materials and other	86,524	-	86,524
943	Ordinary maintenance and operation - contract costs	49,692	-	49,692
General expenses:				
961	Insurance premiums	55,925	-	55,925
962	Other general expenses	15,979	-	15,979
962.1	Compensated absences	20,152	-	20,152
963	Payments in lieu of taxes	2,832	-	2,832
964	Bad debt - tenant rents	<u>5,039</u>	<u>-</u>	<u>5,039</u>
969	Total operating expenses	<u>999,120</u>	<u>-</u>	<u>999,120</u>
970	Excess operating revenue over operating expenses	<u>66,804</u>	<u>165,918</u>	<u>232,722</u>
974	Depreciation expense	<u>217,545</u>	<u>-</u>	<u>217,545</u>
900	Total expenses	<u>1,216,665</u>	<u>-</u>	<u>1,216,665</u>
1000	Excess (deficiency) of revenue over expenses	<u>\$ (150,741)</u>	<u>\$ 165,918</u>	<u>\$ 15,177</u>
MEMO Account Information:				
1103	Beginning equity	\$ 6,515,890	\$ 225,613	\$ 6,741,503
1104	Prior period adjustments, equity transfers and corrections of errors	186,226	(225,613)	(39,387)
1120	Unit months available	2,064	-	2,064
1121	Number of unit months leased	2,064	-	2,064



**CITY OF SHELBY, NORTH CAROLINA**

**STATEMENT OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2015**

Program Name	CFDA #	Funds Approved		Funds Advanced		Funds Expended		Excess (Deficiency)		
		Funds Approved	Ending Balance	Prior Audit	Current Year	Ending Balance	Prior Audit	Current Year	Funds Approved	Funds Advanced
Capital Fund Program (CFP): NC19PO345013	14.872	\$ 222,749	\$ 222,749	\$ 185,202	\$ 37,547	\$ 222,749	\$ 180,561	\$ 42,188	\$ -	\$ -
Capital Fund Program (CFP): NC1980345014	14.872	\$ 215,708	\$ 128,371	-	\$ 128,371	\$ 123,730	-	\$ 123,730	\$ 87,337	\$ 4,641





## STATISTICAL SECTION

This part of the City of Shelby's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial condition. The schedules included in this section can be categorized as follows:

### Financial Trends (Page 122-127)

*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

### Revenue Capacity (Page 128-131)

*These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.*

### Debt Capacity (Page 132-137)

*These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

### Demographic and Economic Information (Page 138-140)

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

### Operating Information (Page 141-142)

*These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.*

Unless otherwise noted, the information shown on the attached schedules was derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.



City of Shelby, North Carolina  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 18,755	\$ 24,599	\$ 25,834	\$ 26,977	\$ 29,009	\$ 32,852	\$ 30,598	\$ 31,063	\$ 33,394	\$ 34,486
Restricted	832	1,035	1,183	1,465	1,571	5,639	4,687	5,882	5,077	5,448
Unrestricted	5,283	5,576	5,490	6,281	4,906	(1,565)	1,360	2,207	1,015	916
Total governmental activities net position	\$ 24,870	\$ 31,210	\$ 32,507	\$ 34,723	\$ 35,486	\$ 36,926	\$ 36,645	\$ 39,152	\$ 39,486	\$ 40,851
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 41,578	\$ 44,008	\$ 46,892	\$ 56,416	\$ 53,425	\$ 60,461	\$ 63,276	\$ 65,346	\$ 68,475	\$ 72,259
Unrestricted	20,507	23,828	23,064	18,436	24,731	22,245	22,427	23,260	25,549	21,387
Total business-type activities net position	\$ 62,085	\$ 67,836	\$ 69,956	\$ 74,852	\$ 78,156	\$ 82,706	\$ 85,703	\$ 88,606	\$ 94,024	\$ 93,645
<b>Primary Government</b>										
Net investment in capital assets	\$ 60,333	\$ 68,607	\$ 72,726	\$ 83,393	\$ 82,434	\$ 93,313	\$ 93,874	\$ 96,409	\$ 101,869	\$ 106,745
Restricted	832	1,035	1,183	1,465	1,571	5,639	4,687	5,882	5,077	5,448
Unrestricted	25,790	29,404	28,554	24,717	29,637	20,680	23,787	25,467	26,564	22,303
Total primary government net position	\$ 86,955	\$ 99,046	\$ 102,463	\$ 109,575	\$ 113,642	\$ 119,632	\$ 122,348	\$ 127,758	\$ 133,510	\$ 134,497

**Notes:**

(1) Ten years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

City of Shelby, North Carolina  
**Changes in Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting - in thousands of dollars)**

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,846	\$ 2,208	\$ 2,403	\$ 2,403	\$ 2,312	\$ 3,258	\$ 2,344	\$ 1,492	\$ 2,584	\$ 2,605
Public safety	8,114	8,683	8,899	9,565	9,669	9,701	10,054	9,402	10,101	10,075
Transportation	1,955	1,677	2,160	2,108	2,532	2,481	2,638	3,960	3,193	3,101
Environmental protection	1,420	1,390	1,427	1,563	1,444	1,479	1,876	1,570	1,700	1,640
Cultural and recreational	2,029	1,982	2,039	2,140	1,967	939	2,151	2,106	2,354	2,295
Housing and redevelopment	281	856	103	192	209	267	321	222	1,133	997
Interest on long-term debt	175	144	130	75	95	73	68	79	41	12
<b>Total governmental activities expenses</b>	<b>15,820</b>	<b>16,940</b>	<b>17,161</b>	<b>18,046</b>	<b>18,228</b>	<b>18,198</b>	<b>19,452</b>	<b>18,831</b>	<b>21,106</b>	<b>20,725</b>
Business-type activities:										
Water	2,920	2,970	3,334	3,605	3,321	3,693	3,761	3,851	3,932	3,896
Sewer	2,790	2,852	2,976	3,522	3,407	3,687	3,716	3,936	4,441	4,257
Electric	14,806	14,897	15,814	15,980	16,999	17,888	18,519	19,168	19,892	21,974
Gas	34,113	15,780	18,404	16,222	12,806	11,453	8,408	10,294	14,512	14,717
Stormwater	-	-	-	-	-	-	-	-	-	294
Housing assistance	1,180	1,140	1,030	1,119	1,083	1,163	1,138	1,195	1,207	1,221
<b>Total business-type activities expenses</b>	<b>55,809</b>	<b>37,639</b>	<b>41,558</b>	<b>40,448</b>	<b>37,616</b>	<b>37,884</b>	<b>35,542</b>	<b>38,444</b>	<b>43,984</b>	<b>46,360</b>
<b>Total primary governmental expenses</b>	<b>\$ 71,629</b>	<b>\$ 54,579</b>	<b>\$ 58,719</b>	<b>\$ 58,494</b>	<b>\$ 55,844</b>	<b>\$ 56,082</b>	<b>\$ 54,994</b>	<b>\$ 57,275</b>	<b>\$ 65,090</b>	<b>\$ 67,085</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 33	\$ 19	\$ 15	\$ 2	\$ 4	\$ 365	\$ 441	\$ 406	\$ 377	\$ 402
Public safety	229	248	357	228	265	23	21	27	11	14
Transportation	1	1	110	195	209	261	377	329	346	289
Environmental protection	595	598	631	873	833	863	994	1,154	1,230	1,184
Cultural and recreational	276	280	309	320	338	318	294	327	356	302
Housing and redevelopment	-	-	-	-	-	127	141	139	133	-
Operating grants and contributions:										
General government	10	-	-	154	4	55	144	1,075	85	67
Public safety	245	524	252	268	476	1,098	1,048	1,050	1,014	1,143
Transportation	-	-	-	26	20	15	20	20	20	20
Environmental protection	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	-	-	-	-	-	5	-	-	30	-
Housing and redevelopment	11	560	3	81	93	-	-	-	205	318
Capital grants and contributions										
General government	-	-	-	32	-	-	-	-	-	-
Public safety	-	-	-	250	112	242	6	32	27	-
Transportation	1,004	1,329	2,051	2,236	1,664	315	785	435	176	360
Cultural and recreational	-	821	-	-	44	456	-	-	-	-
Housing and redevelopment	-	-	-	194	-	-	-	-	1,527	494
<b>Total governmental activities program revenues</b>	<b>2,404</b>	<b>4,380</b>	<b>3,728</b>	<b>4,859</b>	<b>4,062</b>	<b>4,143</b>	<b>4,271</b>	<b>4,994</b>	<b>5,537</b>	<b>4,595</b>
Business-type activities:										
Charges for services										
Water	3,519	3,397	3,464	3,372	3,318	3,909	3,859	4,260	4,630	4,849
Sewer	3,440	3,735	3,763	4,030	3,983	4,485	4,388	4,926	5,088	5,082
Electric	15,529	16,907	17,333	17,398	17,591	18,659	18,924	20,259	21,468	22,286
Gas	36,599	18,758	20,017	18,517	15,676	14,486	9,555	13,142	18,547	17,591
Stormwater	-	-	-	-	-	-	-	-	-	796
Housing assistance	505	514	521	564	577	575	570	582	586	593
Operating grants and contributions										
Water	-	-	-	-	-	105	111	122	91	85
Sewer	-	-	-	-	-	43	46	43	37	35
Electric	-	214	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	12	13	12	11	10
Housing assistance	500	474	425	430	476	414	258	243	424	462
Capital grants and contributions										
Water	-	18	-	-	-	90	114	-	465	-
Sewer	-	112	-	1,670	955	1,589	833	95	624	-
Electric	-	-	-	696	242	1,036	1,779	34	-	-
Gas	-	-	-	-	-	-	-	-	261	-
Housing assistance	263	261	284	576	227	200	399	295	226	166
<b>Total business-type activities program revenues</b>	<b>60,355</b>	<b>44,390</b>	<b>45,807</b>	<b>47,253</b>	<b>43,045</b>	<b>45,603</b>	<b>40,849</b>	<b>44,013</b>	<b>52,458</b>	<b>51,955</b>
<b>Total primary governmental program revenues</b>	<b>\$ 62,759</b>	<b>\$ 48,770</b>	<b>\$ 49,535</b>	<b>\$ 52,112</b>	<b>\$ 47,107</b>	<b>\$ 49,746</b>	<b>\$ 45,120</b>	<b>\$ 49,007</b>	<b>\$ 57,995</b>	<b>\$ 56,550</b>
Net (expense)/revenue										
Governmental activities	\$ (13,416)	\$ (12,560)	\$ (13,433)	\$ (13,187)	\$ (14,166)	\$ (14,055)	\$ (15,181)	\$ (13,837)	\$ (15,569)	\$ (16,130)
Business-type activities	4,546	6,751	4,249	6,805	5,429	7,719	5,307	5,569	8,474	5,595
<b>Total primary governmental net expenses (revenues)</b>	<b>\$ (8,870)</b>	<b>\$ (5,809)</b>	<b>\$ (9,184)</b>	<b>\$ (6,382)</b>	<b>\$ (8,737)</b>	<b>\$ (6,336)</b>	<b>\$ (9,874)</b>	<b>\$ (8,268)</b>	<b>\$ (7,095)</b>	<b>\$ (10,535)</b>

City of Shelby, North Carolina  
**Changes in Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes, levied for general purpose	\$ 6,739	\$ 7,144	\$ 7,277	\$ 7,856	\$ 7,587	\$ 7,663	\$ 7,719	\$ 7,732	\$ 8,017	\$ 8,316
Sales tax	2,759	2,972	2,967	2,831	2,669	2,732	2,866	2,862	2,809	2,980
Franchise tax	1,362	1,385	1,503	1,551	1,540	1,582	1,560	1,572	1,586	1,835
Other taxes	241	230	298	303	237	95	109	12	90	97
Miscellaneous	335	454	264	270	261	-	-	1,721	-	-
Unrestricted investment earnings	399	300	304	197	173	143	212	(115)	186	143
Contributions to permanent fund principal	17	59	25	42	108	-	-	-	-	-
Transfers	<u>2,859</u>	<u>2,110</u>	<u>2,091</u>	<u>2,351</u>	<u>2,350</u>	<u>3,280</u>	<u>2,434</u>	<u>2,560</u>	<u>3,215</u>	<u>5,584</u>
Total governmental activities	<u>14,711</u>	<u>14,654</u>	<u>14,729</u>	<u>15,401</u>	<u>14,925</u>	<u>15,495</u>	<u>14,900</u>	<u>16,344</u>	<u>15,903</u>	<u>18,954</u>
Business-type activities										
Unrestricted investment earnings	663	1,004	996	441	225	111	123	(106)	159	27
Miscellaneous	-	106	-	-	-	-	-	-	-	-
Transfers	<u>(2,859)</u>	<u>(2,110)</u>	<u>(2,091)</u>	<u>(2,351)</u>	<u>(2,350)</u>	<u>(3,280)</u>	<u>(2,434)</u>	<u>(2,560)</u>	<u>(3,215)</u>	<u>(5,584)</u>
Total business-type activities	<u>(2,196)</u>	<u>(1,000)</u>	<u>(1,095)</u>	<u>(1,910)</u>	<u>(2,125)</u>	<u>(3,169)</u>	<u>(2,311)</u>	<u>(2,666)</u>	<u>(3,056)</u>	<u>(5,557)</u>
Total primary government	<u>\$ 12,515</u>	<u>\$ 13,654</u>	<u>\$ 13,634</u>	<u>\$ 13,491</u>	<u>\$ 12,800</u>	<u>\$ 12,326</u>	<u>\$ 12,589</u>	<u>\$ 13,678</u>	<u>\$ 12,847</u>	<u>\$ 13,397</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 1,295	\$ 2,094	\$ 1,296	\$ 2,214	\$ 759	\$ 1,440	\$ (281)	\$ 2,508	\$ 334	\$ 2,824
Business-type activities	<u>2,350</u>	<u>5,751</u>	<u>3,154</u>	<u>4,895</u>	<u>3,304</u>	<u>4,550</u>	<u>2,996</u>	<u>2,903</u>	<u>5,418</u>	<u>38</u>
Total primary government	<u>\$ 3,645</u>	<u>\$ 7,845</u>	<u>\$ 4,450</u>	<u>\$ 7,109</u>	<u>\$ 4,063</u>	<u>\$ 5,990</u>	<u>\$ 2,715</u>	<u>\$ 5,411</u>	<u>\$ 5,752</u>	<u>\$ 2,862</u>

**Notes:**

(1) Ten years presented due to implementation of GASB Statement 34 in Fiscal Year 2004.

City of Shelby, North Carolina  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting -- in thousands of dollars)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 3,215	\$ 3,003	\$ 3,127	\$ 3,493	\$ 5,088	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	3,271	3,189	3,424	3,851	2,987	-	-	-	-	-
Non-spendable	-	-	-	-	-	521	437	436	422	372
Restricted	-	-	-	-	-	6,732	3,955	4,101	4,163	3,813
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	88	64	465	334	472
Unassigned	-	-	-	-	-	580	3,246	3,020	3,005	4,267
Total General Fund	\$ 6,486	\$ 6,192	\$ 6,551	\$ 7,344	\$ 8,075	\$ 7,921	\$ 7,702	\$ 8,022	\$ 7,924	\$ 8,924
All other governmental funds										
Reserved	\$ 262	\$ 541	\$ 445	\$ 1,285	\$ 487	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue Fund	262	324	286	328	247	-	-	-	-	-
Capital Projects Fund	-	(88)	-	-	-	-	-	-	-	-
Non-spendable	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	522	584	639	712	59
Permanent funds	-	-	-	-	-	-	-	-	-	764
Restricted	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	90	745	424	185	191
Capital Projects Fund	-	-	-	-	-	762	122	254	17	669
Permanent funds	-	-	-	-	-	-	-	-	-	11
Committed	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	460	804
Assigned	-	-	-	-	-	164	-	1,582	435	416
Special Revenue Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	309	-	-
Unassigned	-	-	-	-	-	(730)	(272)	-	-	(513)
Capital Projects Fund	-	-	-	-	-	808	1,179	-	-	-
Total all other governmental funds	\$ 524	\$ 777	\$ 731	\$ 1,613	\$ 734	\$ 808	\$ 1,179	\$ 3,208	\$ 1,809	\$ 2,401



City of Shelby, North Carolina  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting - in thousands of dollars)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Ad valorem taxes	\$ 6,770	\$ 6,729	\$ 7,692	\$ 7,951	\$ 7,755	\$ 7,686	\$ 7,731	\$ 7,721	\$ 8,020	\$ 8,298
Other taxes and licenses	2,762	2,976	2,969	2,858	2,682	2,733	2,866	2,863	2,808	2,980
Unrestricted intergovernmental revenues	1,627	1,686	1,864	1,887	1,793	1,837	1,733	1,761	1,741	2,007
Restricted intergovernmental revenues	1,307	2,415	2,328	3,172	2,338	1,933	2,006	2,390	2,746	1,933
Permits and fees	221	237	216	213	254	272	174	149	207	232
Sales and services	913	910	1,207	1,405	1,396	1,472	1,694	1,822	1,968	1,783
Investment earnings	335	300	304	197	173	143	212	(115)	186	143
Donations	17	69	25	42	108	47	58	62	74	61
Miscellaneous	205	319	167	187	189	206	260	400	455	500
Total revenues	14,157	15,641	16,772	17,912	16,688	16,329	16,734	17,053	18,205	17,936
<b>Expenditures</b>										
General government	1,674	2,094	2,280	2,222	2,067	3,034	2,141	2,077	2,282	3,304
Public safety	7,706	8,336	8,598	8,677	8,877	9,814	9,497	9,092	9,164	9,726
Transportation	1,692	1,362	1,872	1,763	2,034	2,490	3,205	3,771	2,502	3,572
Environmental protection	1,158	1,078	1,111	1,225	1,219	1,277	1,925	1,635	1,593	1,730
Cultural and recreational	1,810	1,731	1,794	1,826	1,703	2,083	1,979	1,944	2,062	2,158
Housing and redevelopment	287	855	103	192	209	267	321	222	1,134	2,057
Capital outlay	1,984	1,240	1,788	3,216	3,356	-	-	-	3,822	-
Debt service										
Principal	1,027	1,147	1,124	1,004	869	716	713	822	923	959
Interest and other charges	186	168	136	79	95	82	68	79	25	13
Total expenditures	17,524	18,011	18,806	20,204	20,429	19,763	19,849	19,642	23,507	23,520
Excess of revenues over (under) expenditures	(3,367)	(2,370)	(2,034)	(2,292)	(3,741)	(3,434)	(3,115)	(2,589)	(5,302)	(5,302)
<b>Other financing sources (uses)</b>										
Transfers from other funds	2,936	2,381	2,155	2,695	2,886	3,685	3,367	4,375	3,727	6,983
Transfers to other funds	(77)	(271)	(64)	(344)	(536)	(404)	(933)	(1,815)	(512)	(1,399)
Installment debt issued	509	172	246	1,616	707	510	812	658	560	1,515
Proceeds from sale of assets	131	47	11	13	28	54	21	1,721	29	11
Total other financing sources (uses)	3,499	2,329	2,348	3,980	3,085	3,845	3,267	4,939	3,804	7,110
Net change in fund balance	\$ 132	\$ (41)	\$ 314	\$ 1,688	\$ (656)	\$ 411	\$ 152	\$ 2,350	\$ (1,498)	\$ 1,526
Debt services as a percentage of non-capital expenditures	7.81%	7.84%	7.40%	6.38%	5.65%	4.04%	3.93%	4.59%	4.03%	4.13%

City of Shelby, North Carolina  
 General Government Tax Revenues By Source\*  
 Last Ten Fiscal Years

Year Ended June 30	Ad Valorem	Sales	Intangibles	Utility Franchise	Beer and Wine	Inventory	Food Stamp	Licenses and CATV Franchise	Total
2006	6,770,471	2,759,114	-	1,181,332	92,566	-	-	180,671	10,984,154
2007	6,729,415	2,971,686	-	1,263,696	94,331	-	-	121,166	11,180,294
2008	7,691,627	2,966,596	-	1,503,349	96,103	-	-	-	12,257,675
2009	7,950,913	2,830,915	-	1,550,877	93,190	-	-	-	12,425,895
2010	7,754,894	2,669,105	-	1,540,052	31,178	-	-	-	11,995,229
2011	7,685,528	2,732,493	-	1,581,881	93,593	-	-	-	12,093,495
2012	7,730,801	2,865,854	-	1,559,642	89,706	-	-	-	12,246,003
2013	7,692,762	2,862,052	-	1,571,869	84,396	-	-	-	12,211,079
2014	7,991,528	2,789,957	-	1,586,083	88,147	-	-	-	12,455,715
2015	8,242,626	2,972,202	-	1,834,935	96,241	-	-	-	13,146,004

\* Includes General and Special Revenue Funds.

**City of Shelby, North Carolina**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years (in thousands of dollars)**

<u>Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total Assessed Value*</u>	<u>Total Direct Tax Rate</u>
2006	1,176,662	345,669	41,194	1,563,525	0.420
2007	1,191,948	427,287	46,759	1,665,994	0.420
2008	1,198,940	410,032	45,676	1,654,648	0.435
2009**	1,285,067	434,154	46,856	1,766,077	0.435
2010	1,214,457	469,579	47,324	1,731,360	0.435
2011	1,346,266	351,316	32,284	1,729,866	0.435
2012	1,353,708	350,630	36,011	1,740,349	0.435
2013	1,366,296	356,518	36,057	1,758,871	0.435
2014	1,378,377	402,035	40,898	1,821,310	0.435
2015	1,339,357	394,320	42,347	1,776,024	0.435

**Source:** Cleveland County Tax Collector's Office

\* The City's property tax rate is levied each July 1st on the assessed value listed as of the prior January 1st for all real and personal property located within the City. Assessed valuations are established by Cleveland County at 100% of the estimated market value. Public Service Company property is certified by the State of North Carolina at 100% of actual value, with no distinction between real and personal property values. The City implemented a staggered motor vehicle property tax billing system during 1993-1994, which was required by State Statute. Under this system, property taxes are billed as motor vehicle registrations are renewed.

\*\* A revaluation of real property is required by North Carolina General Statutes at least every eight years (Cleveland County conducts a revaluation every four years). The last revaluation was completed in 2008.

**Notes:** Includes Municipal Service District

**City of Shelby, North Carolina**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

<b>Year Ended June 30</b>	<b>City of Shelby</b>	<b>Uptown Shelby Municipal Service District</b>	<b>Cleveland County</b>	<b>County School District</b>
2006	\$ 0.420	\$ 0.270	\$ 0.580	\$ 0.150
2007	\$ 0.420	\$ 0.270	\$ 0.580	\$ 0.150
2008	\$ 0.435	\$ 0.220	\$ 0.580	\$ 0.150
2009	\$ 0.435	\$ 0.220	\$ 0.580	\$ 0.150
2010	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150
2011	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150
2012	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150
2013	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150
2014	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150
2015	\$ 0.435	\$ 0.220	\$ 0.570	\$ 0.150

**City of Shelby, North Carolina**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago (in thousands of dollars)**

<b>Taxpayer</b>	<b>2015</b>			<b>2006</b>		
	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Assessed Valuation</b>
PPG Industries Inc.	\$ 105,753	1	5.64%	\$ -		0.00%
Wal-Mart Stores	59,805	2	3.19%	74,155	1	4.74%
KCM Castings NC Inc.	22,691	3	1.21%	-		0.00%
Curtis Wright Controls Inc	21,528	4	1.15%	10,747	7	0.69%
Shelby Mall LLC	17,376	5	0.93%	9,703	9	0.62%
Lowe's Home Centers Inc.	15,112	6	0.81%	9,824	8	0.63%
Baldor Electric Company	13,993	7	0.75%	-		0.00%
Duke Energy Carolinas	13,662	8	0.73%	-		0.00%
Wal-Mart Real Estate Business	11,581	9	0.62%	11,202	6	0.72%
Greenheck Real Estate Holdings	11,498	10	0.61%	-		0.00%
Copeland Corp	-		0.00%	43,119	2	2.76%
Kemet Electronics	-		0.00%	14,971	3	0.96%
Bell South Telephone Company	-		0.00%	12,551	4	0.80%
Honeywell International	-		0.00%	11,666	5	0.75%
Delta Partners LLC	-		0.00%	8,130	10	0.52%
<b>Totals</b>	<b>\$ 292,999</b>		<b>15.64%</b>	<b>\$ 206,068</b>		<b>13.17%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 1,873,569</b>			<b>\$ 1,564,750</b>		

**Source:** Cleveland County Tax Assessor's Office (Chris Green)

City of Shelby, North Carolina  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years (in thousands of dollars)

Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2006	\$ 6,723	\$ 6,467	96.19%	\$ 15	250	\$ 6,702	99.78%
2007	7,148	6,489	90.78%	15	655	6,714	99.78%
2008	7,300	7,033	96.34%	14	261	7,695	99.81%
2009	7,791	7,474	95.93%	16	310	7,772	99.79%
2010	7,641	7,398	96.82%	23	229	7,616	99.70%
2011	7,635	7,403	96.96%	24	217	7,610	99.68%
2012	7,688	7,460	97.03%	35	206	7,651	99.54%
2013	7,759	7,486	96.48%	91	181	7,666	98.83%
2014	7,670	7,437	96.96%	234	-	7,437	96.96%
2015	7,543	7,385	97.91%	163	-	7,385	97.84%

City of Shelby, North Carolina  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years (in thousands of dollars, except per capita amount)

Year Ended June 30	Governmental Activities		Business-Type Activities				Total Primary Government	(County) Personal Income		Percentage of Personal Income	(County) Per Capita Personal Income		Per Capita
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans	Installment Purchase Obligations	(County) Personal Income (amounts expressed in thousands)		Per Capita Personal Income	Per Capita				
2006	\$ 4,794	\$ 630	\$ 23,380	\$ 5,854	\$ 921	\$ 35,579	\$ 2,645,000	\$ 27,058	1.35%	\$ 27,058	\$ 1,704		
2007	3,819	310	22,055	5,268	760	32,212	2,845,959	28,151	1.13%	28,151	1,544		
2008	2,942	-	24,546	4,683	967	33,138	2,932,307	27,466	1.13%	27,466	1,597		
2009	3,553	-	22,773	4,098	1,004	31,428	2,947,603	30,205	1.07%	30,205	1,510		
2010	3,391	-	29,282	3,512	925	37,110	3,026,601	N/A	1.23%	N/A	1,785		
2011	3,185	-	27,299	2,927	1,117	34,528	N/A	N/A	N/A	N/A	1,699		
2012	3,283	-	25,449	2,341	1,406	32,479	N/A	N/A	N/A	N/A	1,608		
2013	3,119	-	25,921	-	1,301	30,341	N/A	N/A	N/A	N/A	1,502		
2014	2,756	-	23,224	-	2,022	28,002	N/A	N/A	N/A	N/A	1,378		
2015	3,312	-	20,462	-	11,165	34,939	N/A	N/A	N/A	N/A	1,697		

N/A - information not available.

**City of Shelby, North Carolina**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years (in thousands of dollars, except per capita)**

<u>Year Ended June 30</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2006	\$ 630	0.04%	\$ 30
2007	310	0.02%	15
2008	-	0.00%	N/A
2009	-	0.00%	N/A
2010	-	0.00%	N/A
2011	-	0.00%	N/A
2012	-	0.00%	N/A
2013	-	0.00%	N/A
2014	-	0.00%	N/A
2015	-	0.00%	N/A



**City of Shelby, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**

	<u>Net General Obligation Bonded Debt</u>	<u>Percentage Applicable To City**</u>	<u>City of Shelby Share of Debt</u>
Direct debt - City of Shelby*	\$ -	100.00%	\$ -
Overlapping debt - Cleveland County	<u>509,996</u>	25.19%	<u>128,468</u>
Total direct and overlapping debt	<u>\$ 509,996</u>		<u>\$ 128,468</u>

\*General obligation bonds only

\*\*Percentage of direct and overlapping debt is based on 2012 assessed valuation of Cleveland County as compared to the 2012 assessed valuation of the City of Shelby.

**City of Shelby, North Carolina**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years (in thousands of dollars)**

<b>Year Ended June 30</b>	<b>Debt Limits 8% of Assessed Value</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
2006	125,082	6,345	118,737	5.07%
2007	133,280	4,889	128,391	3.67%
2008	132,372	3,877	128,495	2.93%
2009	141,286	4,557	136,729	3.23%
2010	138,508	4,316	134,192	3.12%
2011	138,389	4,302	134,087	3.11%
2012	132,489	1,947	130,542	1.47%
2013	140,710	4,436	136,274	3.15%
2014	145,705	4,778	117,703	4.06%
2015	145,123	33,939	111,184	30.53%

**City of Shelby, North Carolina**  
**Computation of Legal Debt Margin**  
**June 30, 2015**

Assessed value of taxable property					\$	<u>1,814,043</u>
Debt limit - eight percent (8%) of assessed value					\$	145,123
Gross debt						
Revenue bonds	\$	20,462				
Other financing agreements/notes payable		13,477	\$	33,939		
Total amount of debt applicable to debt limitation						<u>33,939</u>
Legal debt margin					\$	<u>111,184</u>

City of Shelby, North Carolina  
Pledged Revenue Coverage  
Last Ten Fiscal Years

Year Ended June 30	Gross Revenues*		Operating Expenses**		Net Revenue Available For Debt Service		Debt Service Requirements***			Coverage			
							Principal	Interest	Total				
2006	\$	59,087,999	\$	51,392,662	\$	7,695,337	\$	1,290,000	\$	971,269	\$	2,261,269	340%
2007		42,797,066		33,504,075		9,292,991		1,325,000		931,264		2,256,264	412%
2008		44,577,279		37,208,269		7,369,010		1,345,000		1,097,683		2,442,683	302%
2009		43,317,051		35,794,720		7,522,331		1,772,387		1,175,118		2,947,505	255%
2010		40,568,116		32,886,694		7,681,422		1,838,028		910,078		2,748,106	280%
2011		41,539,114		32,635,437		8,903,677		1,982,814		1,283,712		3,266,526	273%
2012		36,726,720		30,290,507		6,436,213		1,850,024		1,263,076		3,113,100	207%
2013		43,169,216		34,043,599		9,125,617		2,198,610		868,377		3,066,987	298%
2014		50,319,644		39,613,948		10,705,696		2,021,676		56,389		2,078,065	515%
2015		51,197,509		41,830,970		9,366,539		2,761,394		908,417		3,669,811	255%

\* Total operating revenues

\*\* Total operating expenses exclusive of depreciation

\*\*\* Includes principal and interest of revenue bonds only. It does not include the general obligation bonds reported in the enterprise funds or debt defeasance transactions.

**City of Shelby, North Carolina  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Per Capita Income</b>	<b>(2) Median Age</b>	<b>(3) School Enrollment</b>	<b>(4) Unemployment Rate</b>	<b>(5) Personal Income</b>
2006	20,876	27,058	37.9	17,035	6.8%	2,645,000
2007	20,863	28,151	38.7	17,060	7.1%	2,845,959
2008	20,745	27,466	38.2	16,580	7.9%	2,932,307
2009	20,808	29,692	39.2	16,738	15.4%	2,947,603
2010	20,793	29,990	N/A	15,997	13.2%	2,939,629
2011	20,323	31,046	39.0	15,721	12.1%	3,026,601
2012	20,202	20,003	40.5	15,374	10.9%	3,202,220
2013	20,270	21,036	40.8	15,259	10.5%	3,268,534
2014	20,325	N/A	41.4	16,420	7.40%	N/A
2015	20,586	20,504	N/A	14,916	6.90%	N/A

- (1) NC Department of Commerce/Office of State Planning, [www.citypopulation.de/usanorthcarolina](http://www.citypopulation.de/usanorthcarolina)  
(2) U.S. Bureau of Economic Analysis for Cleveland County, NC Department of Commerce for Shelby  
(3) Cleveland County/Shelby City Schools Administrative Offices, NC Department of Commerce.  
The two school systems merged in 2005.  
(4) Employment Security Commission  
(5) Amounts for Cleveland County expressed in thousands of dollars taken from [www.fedstats.gov](http://www.fedstats.gov).  
Amounts for Shelby, NC from [www.bea.gov](http://www.bea.gov)  
N/A - information not available.

City of Shelby, North Carolina  
Principal Employers  
Current Year and Four Year Previous

Employer	Industry	2015		2011	
		Rank	Employment Range	Rank	Employment Range
Cleveland County School District	Education	1	1000+	1	1000+
Cleveland Regional Medical Center	Health services	2	1000+	2	1000+
Wal-Mart Distribution Center	Retail distribution	3	1000+	4	500-999
Cleveland County Government	Public administration	4	500-999	3	500-999
Baldor Electric Company	Manufacturing	5	500-999		
PPG Fiber Glass Products	Industrial supplies	6	500-999	5	250-499
Cleveland Community College	Education	7	500-999	6	250-499
Curtiss-Wright Flight Systems Inc.	Transportation equipment	8	250-499	8	250-499
White Oak Manor Inc.	Education and health services	9	250-499	10	250-499
City of Shelby	Public administration	10	250-499	7	250-499
Ultra Machining	Machine shop			9	250-499

**Source:** Cleveland County Chamber of Commerce (704-487-8521)

**Notes:** Data not available on percentage of total employment.

City of Shelby, North Carolina  
 Full-Time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years

Function	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	31.5	30.0	38.0	38.0	38.0	38.0	39.0	40.0	35.0	35.0
Public safety										
Police	86.0	86.0	87.0	87.0	87.0	86.0	86.0	86.0	97.0	97.0
Fire	56.0	54.0	53.0	53.0	53.0	53.0	58.0	57.0	58.0	58.0
Transportation	20.0	18.0	19.0	19.0	19.0	19.0	17.0	22.0	21.0	21.0
Environmental protection	19.0	17.0	17.0	17.0	17.0	17.0	19.0	16.0	17.0	17.0
Cultural and recreation	23.0	19.0	19.0	19.0	19.0	19.0	22.0	32.0	30.0	30.0
Housing and redevelopment	8.5	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Business-type activities										
Water	18.5	18.5	17.5	17.5	17.5	17.5	19.0	17.0	18.0	16.0
Sewer	19.5	21.0	18.5	18.5	18.5	18.3	21.0	19.0	21.0	21.0
Electric	12.5	11.5	10.5	10.5	10.5	10.4	14.0	12.0	12.0	12.0
Gas	20.0	20.5	18.5	18.5	18.5	18.7	18.0	17.0	18.0	18.0
Stormwater	-	-	-	-	-	-	-	-	-	2.0
Housing	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
<b>Total</b>	<b>320.5</b>	<b>309.5</b>	<b>313.0</b>	<b>313.0</b>	<b>313.0</b>	<b>312.0</b>	<b>329.0</b>	<b>334.0</b>	<b>343.0</b>	<b>343.0</b>

Source: City of Shelby's Finance Department

**City of Shelby, North Carolina**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police:										
Number of calls for service	46,006	43,246	43,310	40,251	39,741	37,303	39,068	35,877	35,877	36,173
Uniform Crime Report Part I crimes reported	1,500	1,348	1,489	1,149	1,149	1,039	1,025	887	761	861
Uniform Crime Report Part II crimes reported	771	712	649	625	625	529	554	475	453	525
Fire										
Number of responses	1,929	1,848	1,883	1,913	1,976	2,179	1,945	1,984	1,935	2,112
Number of inspections	1,645	1,169	1,355	707	1,426	1,502	1,530	1,365	1,185	1,258
Transportation										
Miles of street repaved	1.60	1.20	-	3.00	-	1.60	1.61	1.83	2.38	2.57
Environmental protection										
Tons of solid waste collected	8,387	9,928	9,925	10,608	7,937	7,233	6,930	6,354	4,884	6,632
Tons of recycling collected								728	710	955
Cultural and recreational										
Number of youth sport program participants	1,754	2,019	2,276	2,247	3,566	2,309	3,130	3,385	3,881	4,009
Number of adult sport program participants	832	1,106	1,044	622	758	944	1,026	1,141	1,230	1,351
Number of golf rounds played	10,894	10,936	12,341	11,818	11,240	10,283	10,491	9,761	8,704	7,529
Housing and redevelopment										
Building inspections										
Number of permits issued	1,064	994	1,072	1,057	919	1,076	1,261	1,167	1,007	1,138
Number of inspections	3,866	4,067	4,621	4,343	4,205	4,376	5,437	3,634	3,395	3,935
Business-type activities										
Water system										
Customers at June 30	10,048	10,090	10,048	9,554	9,601	9,587	9,691	9,746	9,739	9,874
Average of daily consumption **	4.39	4.68	4.33	4.97	4.06	4.41	3.87	4.73	5.57	5.84
Peak daily consumption **	6.50	6.32	7.02	7.09	5.78	6.10	7.64	7.65	8.15	8.45
Sewer system										
Customers at June 30	8,350	8,362	8,282	7,826	7,866	7,840	7,952	8,031	8,016	8,136
Average of daily treatment **	2.81	2.77	2.42	2.72	2.26	2.25	2.41	2.95	3.57	3.07
Peak daily treatment **	6.00	3.20	5.29	7.55	9.98	6.61	5.86	12.86	10.59	10.25
Electric system										
Customers at June 30	8,212	8,245	8,268	8,290	7,432	7,409	7,414	7,504	7,505	7,605
Natural gas system										
Customers at June 30	10,372	10,437	10,404	9,755	9,793	9,649	9,615	9,582	9,588	9,643

\* Numbers are on a calendar year and not a fiscal year 2007 numbers are January-November

\*\* Numbers in millions of gallons

**Source:** Various City Departments



**City of Shelby, North Carolina**  
**Capital Assets Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public safety</b>										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	22	31	32	43	43	47	47	47	50	50
Fire										
Number of stations	3	3	3	3	3	3	3	3	3	3
<b>Transportation</b>										
Number of airports	1	1	1	1	1	1	1	1	1	1
Miles of paved roads	120.82	121.14	121.33	121.52	122.41	122.34	122.72	122.72	123.55	123.87
Miles of unpaved roads	0.20	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Miles of sidewalks	36.0	27.8	27.8	27.8	27.8	27.8	28.0	28.0	28.0	28.8
<b>Cultural and recreation</b>										
Number of parks	12	12	12	12	12	12	12	12	12	12
Acres of parks land ***	169	169	169	169	169	169	169	340	340	340
Swimming pools	1	1	1	1	1	1	1	1	1	1
Gymnasiums	2	2	2	2	2	2	2	2	2	2
Golf course (nine holes)	1	1	1	1	1	1	1	1	1	1
<b>Business-type activities</b>										
Water system										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Plant capacity *	12	12	12	12	12	12	12	12	12	12
Miles of water mains	220	206	206	215	214	219	218	221	222	223
Number of fire hydrants	1,273	1,305	1,301	1,305	1,343	1,271	1,241	1,358	1,376	1,389
Sewer system										
	1	1	1	1	1	1	1	1	1	1
Plant capacity *	6	6	6	6	6	6	6	6	6	6
Miles of sanitary sewers	178	181	191	202	204	203	195	190	190	191
Miles of storm sewers	6.5	6.5	6.5	6.5	6.5	6.5	-	10.0	10.0	25.3
Electric system										
Number of sub-stations	4	4	4	4	4	4	4	4	4	4
System capacity **	52	65	65	65	65	65	65	65	65	65
Miles of primary lines	207	133	134	135	141	141	141	146	147	148
Miles of secondary lines	175	222	222	202	203	204	163	210	211	211
Natural gas system										
Miles of gas mains	462	463	465	496	473	506	479	482	504	501

\* In millions of gallons

\*\* In mega-watts

\*\*\* Updated total for Hannah Property and Royster donations prior to FY13

Source: Various City Departments





## COMPLIANCE SECTION

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance In Accordance With OMB Circular A-133; And the State Single Audit Implementation Act

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance In Accordance With OMB Circular A-133; And the State Single Audit Implementation Act

Schedule of Findings and Questioned Costs

Summary Schedule of Prior Year's Audit Findings

Schedule of Expenditures of Federal and State Awards



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Shelby, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shelby, North Carolina, as of and for the year ended June 30, 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 October 30, 2015. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Shelby's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 30, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Shelby, North Carolina

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Shelby, North Carolina's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Shelby's major federal programs for the year ended June 30, 2015. The City of Shelby's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Shelby's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Shelby's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Toll Free Both Locations 1-800-948-0585 ♦ Website: [www.martinstarnes.com](http://www.martinstarnes.com)

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Shelby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Shelby is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Shelby's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shelby's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 30, 2015



# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Shelby, North Carolina

#### **Report on Compliance for Each Major State Program**

We have audited the City of Shelby, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Shelby's major State programs for the year ended June 30, 2015. The City of Shelby's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Shelby's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Shelby's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

### ***Opinion on Each Major State Program***

In our opinion, the City of Shelby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Shelby is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Shelby's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Shelby's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 30, 2015

**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

*Federal Awards*

Internal control over major Federal programs:	
• Material weakness identified?	No
• Significant deficiency identified not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major Federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Public and Indian Housing	14.850
Airport Improvement Program	20.106
Capitalization Grants for Clean Water State Revolving Funds	66.458

Dollar threshold used to distinguish between Type A and Type B Programs	\$332,740
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Auditee qualified as low-risk auditee?	Yes
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**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results (continued):**

*State Awards*

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

**Program Name**

Powell Bill

**CITY OF SHELBY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**2. Findings Related to the Audit of the Basic Financial Statements**

None reported

**3. Findings and Questioned Costs Related to the Audit of Federal Awards**

None reported

**4. Findings and Questioned Costs Related to the Audit of State Awards**

None reported

**CITY OF SHELBY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001 corrected in the current year.

**CITY OF SHELBY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Grants:</b>				
<u>U.S. Dept. of Housing and Urban Development</u>				
Direct Program:				
Low Rent Housing Program:				
Public and Indian Housing	14.850	NC034-00000111D	\$ 994,760	\$ -
Public Housing Capital Fund Program (CFP)--2014	14.872	NC19P034501-14	123,755	-
Public Housing Capital Fund Program (CFP)--2013	14.872	NC19P034501-13	49,255	-
Total U.S. Dept. of Housing and Urban Development			<u>1,167,770</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
Direct Program:				
Transitional Housing Assistance for Victims of Domestic Violence, Stalking, or Sexual Assault				
	16.736	N/A	19,573	-
Bulletproof Vest Partnership Program	16.607	N/A	7,072	-
Total U.S. Dept. of Justice			<u>26,645</u>	<u>-</u>
<u>U.S. Dept. of Transportation - FAA</u>				
Passed-through the N.C. Department of Transportation:				
Airport Improvement Program	20.106	36237.16.13.1	106,834	
Airport Improvement Program	20.106	36237.16.12.1	163,209	
Airport Improvement Program	20.106	36237.16.11.1	86,111	
State Aid to Airports Program	N/A	36244.23.11.1	-	28,995
Total U.S. Dept. of Transportation			<u>356,153</u>	<u>28,995</u>
<u>U.S. Environmental Protection Agency</u>				
Passed-through the N.C. Department of Environmental and Natural Resources:				
<u>Clean Water State Revolving Fund Cluster:</u>				
Capitalization Grants for Clean Water State Revolving Funds (SRF) - WWTP	66.458	<sup>1</sup> E-SRF-T-13-0349	6,525,096	-
Capitalization Grants for Clean Water State Revolving Funds (SRF) - Outfall	66.458	<sup>2</sup> E-SRF-T-13-0352	2,792,676	-
Total N.C. Department of Environmental and Natural Resources			<u>9,317,772</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Passed-through NC Rural Development:				
USDA Rural Business Enterprise Grant	10.769	7 C.F.R. part 3570, subpart B	223,000	-
Total assistance - federal programs			<u>11,091,341</u>	<u>28,995</u>
<b>State Grants:</b>				
<u>NC Department of Transportation:</u>				
Powell Bill	N/A	32570	\$ -	\$ 1,027,981
<u>NC Catalyst Grant:</u>				
Community Development Block Grant		11-C-2381	-	157,586
Total assistance - State programs			<u>-</u>	<u>1,185,567</u>
Total assistance			<u>\$ 11,091,341</u>	<u>\$ 1,214,562</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

1. The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the City of Shelby and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Loans Outstanding

City of Shelby had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds (SRF) - WWTP	66.458	<sup>1</sup> E-SRF-T-13-0349	\$ 6,010,033
Capitalization Grants for Clean Water State Revolving Funds (SRF) - Outfall	66.458	<sup>2</sup> E-SRF-T-13-0352	\$ 2,219,590

