

**CITY OF SHELBY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

**PREPARED BY:**

**CITY OF SHELBY FINANCE DEPARTMENT**



# CITY OF SHELBY, NORTH CAROLINA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2019

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# **INTRODUCTORY SECTION**





October 25, 2019

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, 2019.

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, 2019, 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 unmodified opinion that the City of Shelby's financial statements for the fiscal year ended June 30, 2019, 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 20,000 and presently covers a land area of 22 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, Cleveland County Economic Development Partnership 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 NEG Industries, Clearwater Paper Corporation, Ultra Machine & Fabrication, Greenheck, KSM Castings Group, Specialty Lighting, Mafic 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 Atrium Health, Cleveland, 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.

Clearwater Paper Corporation, a company that manufactures private brand paper products, is has expanded its existing 990,000 sq. foot facility with an additional \$330 million in net new investment. Clearwater Paper Corporation previously employed approximately 264 employees and added another 180 through this expansion. Clearwater Paper Corporation has been annexed into the City and is being served by City utilities.

MAFIC, SA, a company that manufactures basalt fiber material, is currently constructing \$15 million in net new investment. MAFIC, SA will employ 113 employees at this facility. MAFIC SA is located within the City and will be served by City utilities.

Greenheck Fan Corporation has announced that it will expand its manufacturing facilities in Shelby, North Carolina. The company will invest nearly \$60 million to expand production of its Dedicated Outdoor Air Systems (DOAS), Tempered Air Products (TAP) and Architectural Products. Approximately 400 new manufacturing jobs will be created over the next five years.

The City continues to see an increase in smaller retail and commercial activity, which is an indication that the economic market is continuing to grow.

**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 Statues, 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 2020**

The City tax rate remained unchanged at 52.25 cents per one hundred dollars of valuation for FY 2020. Budgeted expenditures in the General Fund are expected to increase to \$25,893,621 in FY 2020. This increase is largely due to the planned implementation of a wage and position classification plan and the purchase of various pieces of equipment, which will be financed over a period of 59 months. The City's water, sewer and electric rates remained unchanged for FY 2020. 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 2020.

### **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, 2018. This was the twenty first 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  
Asst. City Manager/Dir. of Finance





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, 2018**

*Christopher P. Morill*

Executive Director/CEO

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City of Shelby, North Carolina

List of Principal Officials

June 30, 2019

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Elected Officials

Oliver Stanhope Anthony, III

*Mayor*

Eric B. Hendrick

Dicky Amaya  
*Mayor Pro Tem*

Violet Arth Dukes

David W. White

David Causby

Charles L. Webber

City Administration

Rick Howell

*City Manager*

Justin S. Merritt

*Assistant City Manager/Director of Finance*

Bernadette A. Parduski

*City Clerk*

Julie R. McMurry

*Director of Energy Services*

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*

Ben Yarborough

*Director of Engineering Services*

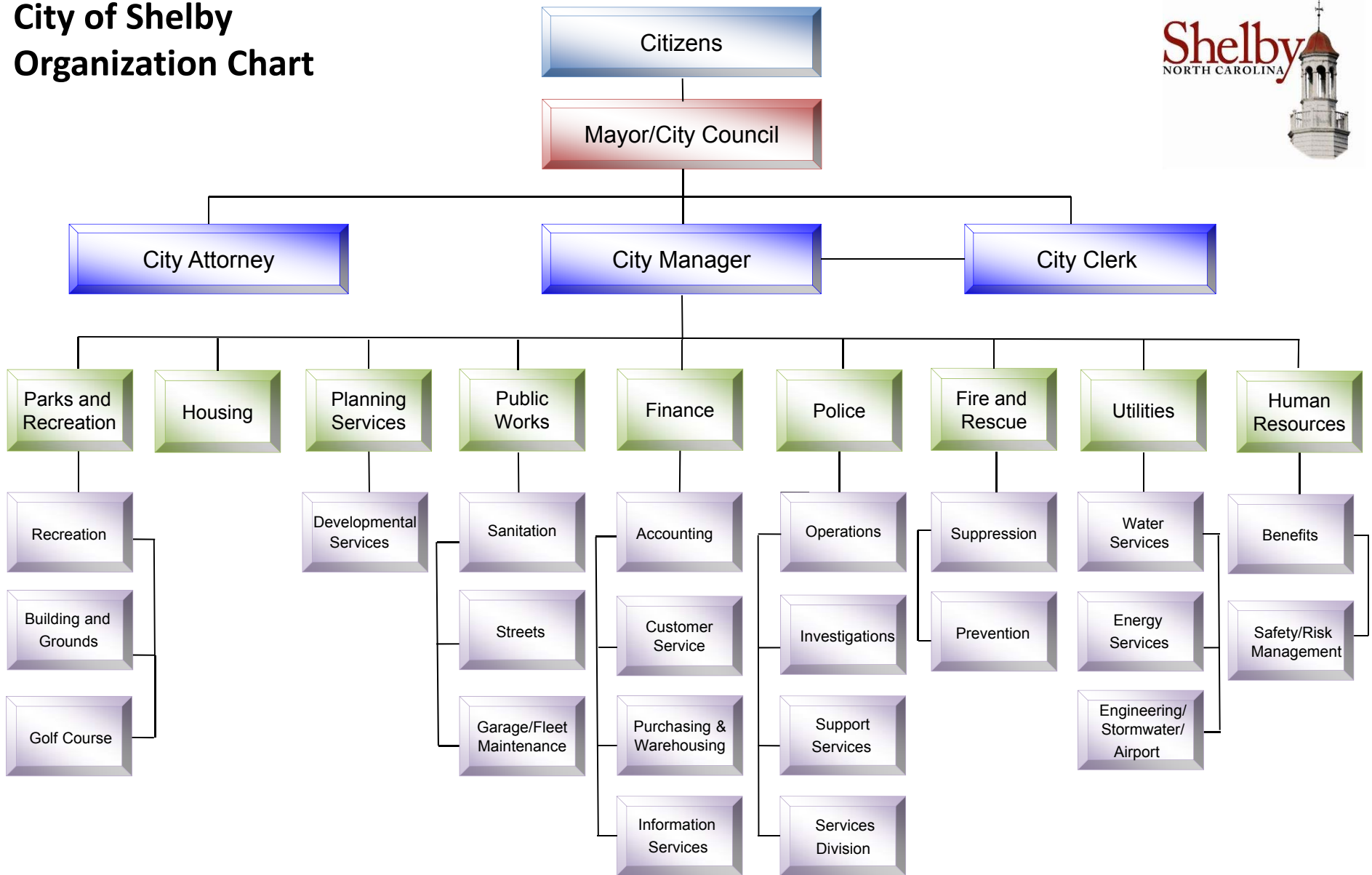
David Hux

*Director of Water Resources*

Robert W. (Bob) Yelton

*City Attorney*

# City of Shelby Organization Chart



(ix)





# 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  
City of Shelby  
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, 2019, 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 did not audit the financial statements of the City of Shelby ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Shelby ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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, based upon our audit and the report of the other auditors, 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 the City of Shelby, North Carolina, as of June 30, 2019, 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 Other Post-Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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 and the other auditors 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 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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual 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 25, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 25, 2019



## Management's Discussion and Analysis

As management of the City of Shelby (the "City"), 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, 2019. 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

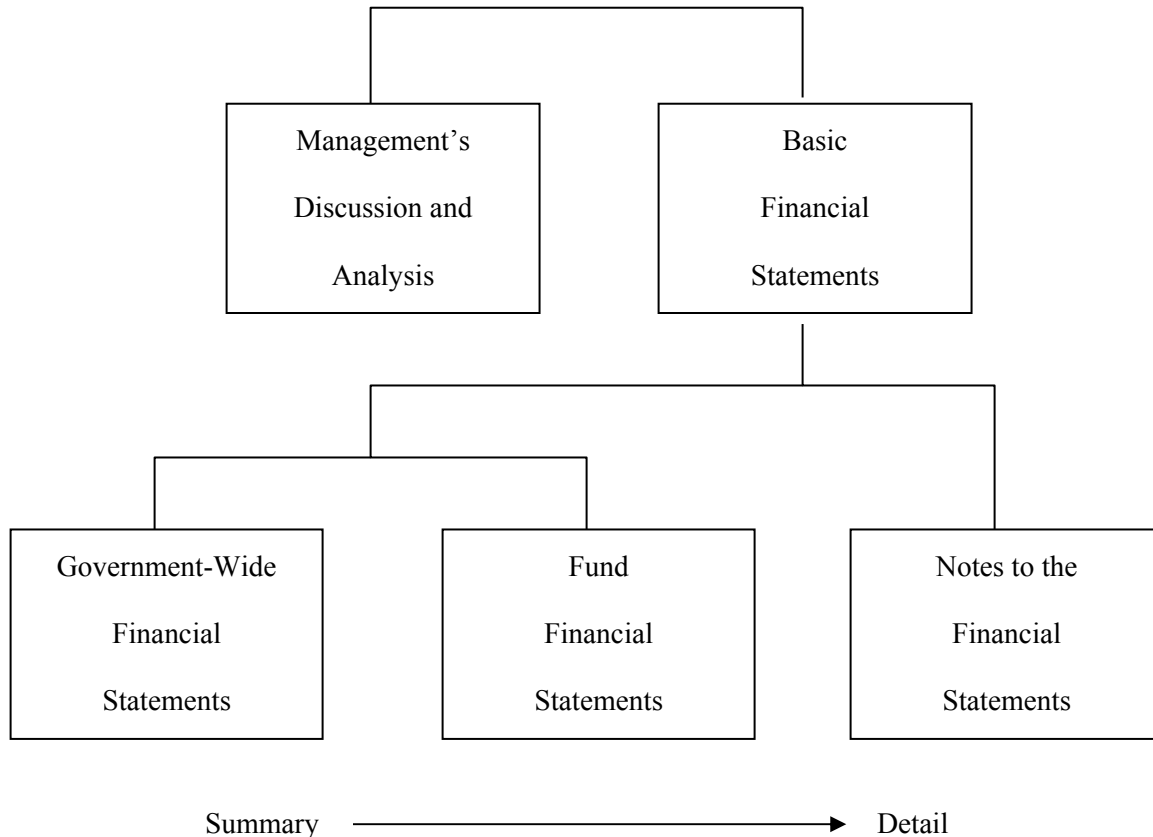
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$164,733,896 (*net position*).
- The government's total net position increased by \$26,139,013, due to an increase of \$8,822,393 in governmental activities' net position and an increase of \$17,316,620 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 \$14,977,163, with a net decrease in fund balance of \$778,911. Approximately 61.22 percent of this total amount, or \$9,169,517, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,897,148, or 10.75 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 is 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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Assets:</b>						
Current/other assets	\$ 18,274,911	\$ 17,141,554	\$ 23,045,370	\$ 32,960,612	\$ 41,320,281	\$ 50,102,166
Capital assets	<u>53,345,741</u>	<u>45,908,602</u>	<u>151,323,025</u>	<u>124,899,542</u>	<u>204,668,766</u>	<u>170,808,144</u>
Total assets	<u>71,620,652</u>	<u>63,050,156</u>	<u>174,368,395</u>	<u>157,860,154</u>	<u>245,989,047</u>	<u>220,910,310</u>
<b>Deferred Outflows of Resources</b>						
	<u>4,039,357</u>	<u>2,870,935</u>	<u>1,536,143</u>	<u>1,199,045</u>	<u>5,575,500</u>	<u>4,069,980</u>
<b>Liabilities:</b>						
Long-term liabilities	28,167,653	27,694,134	44,519,965	44,275,431	72,687,618	71,969,565
Other liabilities	<u>3,195,020</u>	<u>3,080,928</u>	<u>9,581,963</u>	<u>9,969,189</u>	<u>12,776,983</u>	<u>13,050,117</u>
Total liabilities	<u>31,362,673</u>	<u>30,775,062</u>	<u>54,101,928</u>	<u>54,244,620</u>	<u>85,464,601</u>	<u>85,019,682</u>
<b>Deferred Inflows of Resources</b>						
	<u>1,085,548</u>	<u>756,634</u>	<u>280,502</u>	<u>609,091</u>	<u>1,366,050</u>	<u>1,365,725</u>
<b>Net Position:</b>						
Net investment in capital assets	47,195,989	38,491,732	108,940,934	91,821,298	156,136,923	130,313,030
Restricted	5,564,168	5,425,754	-	-	5,564,168	5,425,754
Unrestricted	<u>(9,548,369)</u>	<u>(9,528,091)</u>	<u>12,581,174</u>	<u>12,384,190</u>	<u>3,032,805</u>	<u>2,856,099</u>
Total net position	<u>\$ 43,211,788</u>	<u>\$ 34,389,395</u>	<u>\$ 121,522,108</u>	<u>\$ 104,205,488</u>	<u>\$ 164,733,896</u>	<u>\$ 138,594,883</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 \$164,733,896 as of June 30, 2019. The City's net position increased by \$26,139,013 for the fiscal year ended June 30, 2019. 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, \$5,564,168, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,032,805 is unrestricted.

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

- Property Tax collection rate remained stable with a current year collection rate of 98.15%. as compared with 98.63% in the previous year.
- Increase in sales tax collections contributed to increased revenues in the current year.
- 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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,849,947	\$ 2,520,310	\$ 54,755,586	\$ 52,423,449	\$ 57,605,533	\$ 54,943,759
Operating grants and contributions	2,036,761	1,759,274	524,473	565,938	2,561,234	2,325,212
Capital grants and contributions	4,648,339	2,022,116	13,451,156	5,031,672	18,099,495	7,053,788
General revenues:						
Property taxes	10,905,214	10,366,376	-	-	10,905,214	10,366,376
Other taxes	6,666,786	6,049,518	-	-	6,666,786	6,049,518
Gain (loss) on sale of assets	-	35,241	-	(1,083,090)	-	(1,047,849)
Investment earnings	333,706	213,582	222,216	131,603	555,922	345,185
Total revenues	<u>27,440,753</u>	<u>22,966,417</u>	<u>68,953,431</u>	<u>57,069,572</u>	<u>96,394,184</u>	<u>80,035,989</u>
<b>Expenses:</b>						
General government	2,716,521	3,150,943	-	-	2,716,521	3,150,943
Public safety	13,143,422	11,246,184	-	-	13,143,422	11,246,184
Transportation	5,976,728	3,040,141	-	-	5,976,728	3,040,141
Environmental protection	1,955,107	2,084,146	-	-	1,955,107	2,084,146
Cultural and recreational	12,945	2,533,895	-	-	12,945	2,533,895
Housing and redevelopment	1,198,672	1,803,839	-	-	1,198,672	1,803,839
Interest on long-term debt	240,048	252,378	-	-	240,048	252,378
Water	-	-	4,399,176	4,356,543	4,399,176	4,356,543
Sewer	-	-	5,506,125	4,724,448	5,506,125	4,724,448
Electric	-	-	19,499,393	20,921,507	19,499,393	20,921,507
Gas	-	-	13,534,544	12,921,236	13,534,544	12,921,236
Stormwater	-	-	737,335	938,528	737,335	938,528
Housing assistance	-	-	1,335,155	1,320,543	1,335,155	1,320,543
Total expenses	<u>25,243,443</u>	<u>24,111,526</u>	<u>45,011,728</u>	<u>45,182,805</u>	<u>70,255,171</u>	<u>69,294,331</u>
Change in net position before transfers	2,197,310	(1,145,109)	23,941,703	11,886,767	26,139,013	10,741,658
Transfers in (out)	<u>6,625,083</u>	<u>3,854,300</u>	<u>(6,625,083)</u>	<u>(3,854,300)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>8,822,393</u>	<u>2,709,191</u>	<u>17,316,620</u>	<u>8,032,467</u>	<u>26,139,013</u>	<u>10,741,658</u>
<b>Net Position:</b>						
Beginning of year - July 1	34,389,395	40,757,644	104,205,488	99,078,833	138,594,883	139,836,477
Prior period adjustment	-	(9,077,440)	-	(2,905,812)	-	(11,983,252)
Beginning of year - July 1, as restated	<u>34,389,395</u>	<u>31,680,204</u>	<u>104,205,488</u>	<u>96,173,021</u>	<u>138,594,883</u>	<u>127,853,225</u>
End of year -June 30	<u>\$ 43,211,788</u>	<u>\$ 34,389,395</u>	<u>\$ 121,522,108</u>	<u>\$ 104,205,488</u>	<u>\$ 164,733,896</u>	<u>\$ 138,594,883</u>



**Governmental Activities.** Governmental activities increased the City's net position by \$8,822,393. Key elements of this increase are as follows:

- Increase in Property Tax Levy contributed to an overall increase in revenues in the current year
- Increase in Sales Tax Collections contributed to overall revenue increase in the current year

**Business-Type Activities.** Business-type activities increased the City of Shelby's net position by \$17,316,620. Key elements of this increase are as follows:

- Increase in cash is related to debt proceeds received in the current year that will be used for construction of capital assets.
- Inflows of cash, primarily through increased revenues from water, sewer and electric sales to customers.

### **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 \$3,899,715, while total fund balance reached \$7,600,511. 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 14.73% of total General Fund expenditures and transfers to other funds, while total fund balance represents 28.72% of that same amount.

At June 30, 2019, the governmental funds of the City of Shelby reported a combined fund balance of \$14,977,163, a decrease of \$778,911 from last year. The primary reason for this increase is due to investment in capital assets during the current year and an increase in property tax revenues.

The Capital Projects Fund is used by the City to house and track multi-year construction projects that are undertaken by the City. These projects are often funded by various revenue streams including debt issues, grant funds or transfers from other City funds.

**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 \$51,893 (0.25%). 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 were as follows: the Water Fund was (\$10,096); the Sewer Fund was \$(285,124); the Electric Fund was \$5,059,173; and the Gas Fund was \$5,642,868. 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, 2019 totaled \$204,668,766 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Construction in Progress of Hanna Park Complex of \$2,781,140
- Construction in Progress of Airport Runway Overlay of \$2,417,309
- Construction in Progress of Airport T-Hangar Project of \$1,921,050
- Construction in Progress of Farmville Road Waterline Project of \$8,569,303
- Construction in Progress of Uptown Water Infrastructure Project of \$1,077,607
- Construction in Progress of Westside Sewer Improvements of \$3,049,991
- Construction in Progress of Water Treatment Plant Project of \$5,791,800
- Construction in Progress of Wastewater Treatment Plant Biosolids Project of \$1,871,832
- Construction in Progress of Wastewater Treatment Plant Influent Project of \$5,264,820

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 5,730,644	\$ 5,725,393	\$ 963,696	\$ 963,696	\$ 6,694,340	\$ 6,689,089
Buildings and systems	17,753,144	17,753,144	177,605,127	167,270,049	195,358,271	185,023,193
Improvements other than buildings	14,312,263	13,792,682	1,339,630	917,930	15,651,893	14,710,612
Machinery and equipment	8,978,519	8,776,504	6,662,650	6,325,082	15,641,169	15,101,586
Infrastructure	11,484,875	11,484,875	-	-	11,484,875	11,484,875
Vehicles and motorized equipment	10,946,892	9,871,286	3,798,863	3,742,973	14,745,755	13,614,259
Construction in progress	17,148,854	9,693,491	37,364,965	18,284,919	54,513,819	27,978,410
Subtotal	86,355,191	77,097,375	227,734,931	197,504,649	314,090,122	274,602,024
Less: accumulated depreciation	<u>(33,009,450)</u>	<u>(31,188,773)</u>	<u>(76,411,906)</u>	<u>(72,605,107)</u>	<u>(109,421,356)</u>	<u>(103,793,880)</u>
Capital assets, net	<u>\$ 53,345,741</u>	<u>\$ 45,908,602</u>	<u>\$ 151,323,025</u>	<u>\$ 124,899,542</u>	<u>\$ 204,668,766</u>	<u>\$ 170,808,144</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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Direct Placement & Direct Borrowing Installment purchase notes	\$ 9,246,296	\$ 10,371,162	\$ 25,542,008	\$ 23,891,376	\$ 34,788,304	\$ 34,262,538
Revenue bonds	-	-	17,255,710	18,927,726	17,255,710	18,927,726
Net pension liability-LGERS	4,095,147	2,699,487	1,185,449	738,654	5,280,596	3,438,141
Total pension liability-LEOSSA	2,502,779	2,533,732	-	-	2,502,779	2,533,732
Compensated absences	1,145,103	1,047,162	287,159	263,690	1,432,262	1,310,852
Other post-employment benefits	12,936,233	12,909,157	4,037,353	4,029,264	16,973,586	16,938,421
Total	<u>\$ 29,925,558</u>	<u>\$ 29,560,700</u>	<u>\$ 48,307,679</u>	<u>\$ 47,850,710</u>	<u>\$ 78,233,237</u>	<u>\$ 77,411,410</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 \$113,790,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 49-60 of this audited financial report.

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

- The State of North Carolina unemployment numbers remained flat at 4.2% in June 2018 and 4.2% in June 2019. Cleveland County's numbers changed from 4.3% in June 2018 to 4.6% in June 2019.
- Clearwater Paper Corporation, a company that manufactures private brand paper products, completed expansion of its current 990,000 sq. foot facility with an additional \$330 million in net new investment. Clearwater Paper Corporation currently employs approximately 264 employees and added another 180 through this expansion. Clearwater Paper Corporation has been annexed into the City and is being served by City utilities.
- MAFIC, SA, a company that manufactures basalt fiber material, is currently completing constructing \$15 million in net new investment. MAFIC, SA will employ 113 employees at this facility. MAFIC SA is located within the City and will be served by City utilities.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities.** The City tax rate remained unchanged at 52.25 cents per one hundred dollars of valuation for FY 2020. Budgeted expenditures in the General Fund are expected to increase to \$25,893,621 in FY 2020. This increase is largely due to the planned implementation of a wage and position classification plan and the purchase of various pieces of equipment, which will be financed over a period of 59 months.

**Business-Type Activities.** The City's water, sewer and electric rates remained unchanged for FY 2020. 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 2020.

### **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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 7,424,632	\$ 10,500,273	\$ 17,924,905	\$ 400,498
Taxes receivable, net	282,755	-	282,755	-
Accounts receivable, net	1,037,682	7,949,962	8,987,644	-
Loans receivable	19,335	-	19,335	-
Interest receivable	9,390	-	9,390	-
Due from other governments	4,253,023	1,704,840	5,957,863	-
Inventories	135,468	1,810,556	1,946,024	657,872
Prepaid items	373,337	134,752	508,089	10,023
Total current assets	<u>13,535,622</u>	<u>22,100,383</u>	<u>35,636,005</u>	<u>1,068,393</u>
Non-current assets:				
Cash and cash equivalents, restricted	4,739,289	601,150	5,340,439	-
Long-term notes receivable	-	343,837	343,837	-
Capital assets, non-depreciable	22,879,498	38,328,661	61,208,159	182,567
Capital assets, net	<u>30,466,243</u>	<u>112,994,364</u>	<u>143,460,607</u>	<u>147,708</u>
Total non-current assets	<u>58,085,030</u>	<u>152,268,012</u>	<u>210,353,042</u>	<u>330,275</u>
Total assets	<u>71,620,652</u>	<u>174,368,395</u>	<u>245,989,047</u>	<u>1,398,668</u>
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	673,681	201,229	874,910	-
Pension deferrals	3,365,676	919,287	4,284,963	66,776
Deferred charge on refunding	-	415,627	415,627	-
Total deferred outflows of resources	<u>4,039,357</u>	<u>1,536,143</u>	<u>5,575,500</u>	<u>66,776</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,391,296	4,987,459	6,378,755	405,114
Accrued interest payable	45,819	205,640	251,459	-
Liabilities to be paid from restricted assets	-	601,150	601,150	-
Current portion of long-term liabilities	<u>1,757,905</u>	<u>3,787,714</u>	<u>5,545,619</u>	<u>-</u>
Total current liabilities	<u>3,195,020</u>	<u>9,581,963</u>	<u>12,776,983</u>	<u>405,114</u>
Long-term liabilities:				
Net pension liability - LGERS	4,095,147	1,185,449	5,280,596	51,717
Total pension liability - LEOSSA	2,502,779	-	2,502,779	-
Total OPEB liability	12,936,233	4,037,353	16,973,586	-
Due in more than one year	<u>8,633,494</u>	<u>39,297,163</u>	<u>47,930,657</u>	<u>-</u>
Total long-term liabilities	<u>28,167,653</u>	<u>44,519,965</u>	<u>72,687,618</u>	<u>51,717</u>
Total liabilities	<u>31,362,673</u>	<u>54,101,928</u>	<u>85,464,601</u>	<u>456,831</u>
<b>Deferred Inflows of Resources:</b>				
OPEB deferrals	871,278	260,252	1,131,530	-
Pension deferrals	<u>214,270</u>	<u>20,250</u>	<u>234,520</u>	<u>268</u>
Total deferred inflows of resources	<u>1,085,548</u>	<u>280,502</u>	<u>1,366,050</u>	<u>268</u>
<b>Net Position:</b>				
Net investment in capital assets	47,195,989	108,940,934	156,136,923	330,275
Restricted for:				
Stabilization by state statute	3,695,733	-	3,695,733	-
Perpetual - non-expendable	1,244,186	-	1,244,186	-
Public safety	225,690	-	225,690	-
Streets - Powell Bill	398,559	-	398,559	-
Working capital	-	-	-	150,914
Unrestricted	<u>(9,548,369)</u>	<u>12,581,174</u>	<u>3,032,805</u>	<u>527,156</u>
Total net position	<u>\$ 43,211,788</u>	<u>\$ 121,522,108</u>	<u>\$ 164,733,896</u>	<u>\$ 1,008,345</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, 2019

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	\$ 2,716,521	\$ 446,315	\$ 45,196	\$ -
Public safety	13,143,422	28,606	1,280,521	-
Transportation	5,976,728	256,830	-	4,183,760
Environmental protection	1,955,107	1,673,269	-	-
Cultural and recreational	12,945	291,011	-	315,620
Housing and redevelopment	1,198,672	153,916	711,044	148,959
Interest on long-term debt	240,048	-	-	-
Total governmental activities	<u>25,243,443</u>	<u>2,849,947</u>	<u>2,036,761</u>	<u>4,648,339</u>
<b>Business-Type Activities:</b>				
Water Fund	4,399,176	5,133,222	58,274	6,705,789
Sewer Fund	5,506,125	6,099,196	23,820	6,165,579
Electric Fund	19,499,393	23,839,810	-	-
Gas Fund	13,534,544	18,180,405	6,760	324,538
Stormwater Fund	737,335	848,001	-	-
Housing Assistance Fund	1,335,155	654,952	435,619	255,250
Total business-type activities	<u>45,011,728</u>	<u>54,755,586</u>	<u>524,473</u>	<u>13,451,156</u>
Total primary government	<u>\$ 70,255,171</u>	<u>\$ 57,605,533</u>	<u>\$ 2,561,234</u>	<u>\$ 18,099,495</u>
<b>Component Unit:</b>				
City of Shelby ABC Board	<u>\$ 3,930,105</u>	<u>\$ 3,930,105</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, 2019

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (2,225,010)	\$ -	\$ (2,225,010)	\$ -
Public safety	(11,834,295)	-	(11,834,295)	-
Transportation	(1,536,138)	-	(1,536,138)	-
Environmental protection	(281,838)	-	(281,838)	-
Cultural and recreational	593,686	-	593,686	-
Housing and redevelopment	(184,753)	-	(184,753)	-
Interest on long-term debt	(240,048)	-	(240,048)	-
Total governmental activities	<u>(15,708,396)</u>	<u>-</u>	<u>(15,708,396)</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water Fund	-	7,498,109	7,498,109	-
Sewer Fund	-	6,782,470	6,782,470	-
Electric Fund	-	4,340,417	4,340,417	-
Gas Fund	-	4,977,159	4,977,159	-
Stormwater Fund	-	110,666	110,666	-
Housing Assistance Fund	-	10,666	10,666	-
Total business-type activities	<u>-</u>	<u>23,719,487</u>	<u>23,719,487</u>	<u>-</u>
Total primary government	<u>(15,708,396)</u>	<u>23,719,487</u>	<u>8,011,091</u>	<u>-</u>
<b>Component Unit:</b>				
City of Shelby ABC Board				<u>-</u>
<b>General Revenues:</b>				
Taxes				
Property tax	10,905,214	-	10,905,214	-
Sales tax	4,541,712	-	4,541,712	-
Franchise tax	2,023,730	-	2,023,730	-
Other taxes	101,344	-	101,344	-
Investment earnings	<u>333,706</u>	<u>222,216</u>	<u>555,922</u>	<u>169</u>
Total general revenues, not including transfers	17,905,706	222,216	18,127,922	169
Transfers	<u>6,625,083</u>	<u>(6,625,083)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>24,530,789</u>	<u>(6,402,867)</u>	<u>18,127,922</u>	<u>169</u>
Change in net position	8,822,393	17,316,620	26,139,013	169
<b>Net Position:</b>				
Beginning of year - July 1	<u>34,389,395</u>	<u>104,205,488</u>	<u>138,594,883</u>	<u>1,008,176</u>
End of year - June 30	<u>\$ 43,211,788</u>	<u>\$ 121,522,108</u>	<u>\$ 164,733,896</u>	<u>\$ 1,008,345</u>

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,250,848	\$ -	\$ 3,173,784	\$ 7,424,632
Receivables, net:				
Taxes	279,121	-	3,634	282,755
Accounts	1,015,679	-	22,003	1,037,682
Interest	6,274	1,213	1,903	9,390
Loans	-	-	19,335	19,335
Due from other governments	2,201,965	1,649,376	401,682	4,253,023
Inventories	135,468	-	-	135,468
Prepaid items	341,410	-	31,927	373,337
Restricted cash and cash equivalents	398,559	3,096,544	1,244,186	4,739,289
Total assets	<u>\$ 8,629,324</u>	<u>\$ 4,747,133</u>	<u>\$ 4,898,454</u>	<u>\$ 18,274,911</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 749,692	\$ 632,756	\$ 8,848	\$ 1,391,296
Total liabilities	<u>749,692</u>	<u>632,756</u>	<u>8,848</u>	<u>1,391,296</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	279,121	-	3,634	282,755
Grant receivable	-	1,623,697	-	1,623,697
Total deferred inflows of resources	<u>279,121</u>	<u>1,623,697</u>	<u>3,634</u>	<u>1,906,452</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventories	135,468	-	-	135,468
Prepays	341,410	-	31,927	373,337
Perpetual	-	-	1,244,186	1,244,186
Restricted:				
Stabilization by state statute	3,223,918	26,892	444,923	3,695,733
Public safety	-	-	225,690	225,690
Streets - Powell Bill	398,559	-	-	398,559
Transportation	-	3,096,544	-	3,096,544
Committed:				
Capital projects	-	-	215,930	215,930
Assigned:				
Subsequent year's expenditures	604,008	-	-	604,008
Economic development	-	-	2,723,316	2,723,316
Unassigned	2,897,148	(632,756)	-	2,264,392
Total fund balances	<u>7,600,511</u>	<u>2,490,680</u>	<u>4,885,972</u>	<u>14,977,163</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,629,324</u>	<u>\$ 4,747,133</u>	<u>\$ 4,898,454</u>	<u>\$ 18,274,911</u>

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

**CITY OF SHELBY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<b><u>Total Governmental Funds</u></b>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 14,977,163
Net pension liability	(4,095,147)
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	53,345,741
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.	1,906,452
Deferred inflows of resources related to pensions are not reported in the funds.	
LGERS	(84,691)
LEOSSA	(129,579)
Deferred inflows of resources related to OPEB are not reported in the funds.	(871,278)
Deferred outflows of resources related to pensions are not reported in the funds.	
LGERS	3,207,388
LEOSSA	158,288
Deferred outflows of resources related to OPEB are not reported in the funds.	673,681
Total pension liability	(2,502,779)
OPEB liability	(12,936,233)
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>(10,437,218)</u>
Net position of governmental activities per Exhibit A	<u>\$ 43,211,788</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, 2019

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,734,200	\$ -	\$ 113,615	\$ 10,847,815
Other taxes and licenses	4,541,712	-	-	4,541,712
Unrestricted intergovernmental	2,270,790	-	-	2,270,790
Restricted intergovernmental	883,652	2,875,683	988,633	4,747,968
Permits and fees	220,274	-	-	220,274
Sales and services	2,243,363	-	-	2,243,363
Investment earnings	209,088	62,787	61,831	333,706
Donations	-	-	45,196	45,196
Miscellaneous	354,917	-	153,916	508,833
Total revenues	<u>21,457,996</u>	<u>2,938,470</u>	<u>1,363,191</u>	<u>25,759,657</u>
<b>Expenditures:</b>				
Current:				
General government	2,709,265	-	244	2,709,509
Public safety	12,958,478	-	85,576	13,044,054
Transportation	2,463,074	7,448,421	-	9,911,495
Environmental protection	1,971,089	-	-	1,971,089
Cultural and recreation	2,890,233	398,425	-	3,288,658
Housing and redevelopment	-	174,816	1,023,856	1,198,672
Debt service:				
Principal retirement	1,604,566	-	-	1,604,566
Interest and other charges	248,467	-	-	248,467
Total expenditures	<u>24,845,172</u>	<u>8,021,662</u>	<u>1,109,676</u>	<u>33,976,510</u>
Revenues over (under) expenditures	<u>(3,387,176)</u>	<u>(5,083,192)</u>	<u>253,515</u>	<u>(8,216,853)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,347,000	4,670,649	1,836,373	9,854,022
Transfers (to) other funds	(2,103,045)	-	(1,125,894)	(3,228,939)
Long-term debt issued	479,700	-	-	479,700
Proceeds from sale of assets	33,159	-	300,000	333,159
Total other financing sources (uses)	<u>1,756,814</u>	<u>4,670,649</u>	<u>1,010,479</u>	<u>7,437,942</u>
Net change in fund balances	(1,630,362)	(412,543)	1,263,994	(778,911)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>9,230,873</u>	<u>2,903,223</u>	<u>3,621,978</u>	<u>15,756,074</u>
End of year - June 30	<u>\$ 7,600,511</u>	<u>\$ 2,490,680</u>	<u>\$ 4,885,972</u>	<u>\$ 14,977,163</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 STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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) \$ (778,911)

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:

Property taxes	57,399
Grant revenues	1,623,697

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. 9,410,534

Expenses related to compensated absences, other post-employment benefits, net pension obligation, and pension expense that do not require current financial resources and are not reported as expenditures in the governmental funds statement.

Compensated absences	(97,941)
Pension expense - LGERS	(188,129)
Pension expense - LEOSSA	(59,708)
Other post-employment benefits	(304,438)

Loss on capital asset disposed of during the year, not recognized on modified accrual basis (6,097)

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. (479,700)

Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement. (1,967,298)

Change in accrued interest payable, governmental fund debt 8,419

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. 1,604,566

Change in net position of governmental activities per Exhibit B \$ 8,822,393

*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, 2019**

	<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	\$ 10,577,000	\$ 10,577,000	\$ 10,734,200	\$ 157,200
Other taxes and licenses	3,906,000	3,906,000	4,541,712	635,712
Unrestricted intergovernmental	2,212,000	2,212,000	2,270,790	58,790
Restricted intergovernmental	783,600	835,493	883,652	48,159
Permits and fees	275,800	275,800	220,274	(55,526)
Sales and services	2,277,900	2,277,900	2,243,363	(34,537)
Investment earnings	70,000	70,000	209,088	139,088
Miscellaneous	320,500	320,500	354,917	34,417
Total revenues	<u>20,422,800</u>	<u>20,474,693</u>	<u>21,457,996</u>	<u>983,303</u>
<b>Expenditures:</b>				
Current:				
General government	3,120,753	3,092,748	2,709,265	383,483
Public safety	12,263,676	13,163,273	12,958,478	204,795
Transportation	2,665,184	3,008,313	2,463,074	545,239
Environmental protection	1,973,335	2,010,835	1,971,089	39,746
Cultural and recreational	2,848,375	3,125,795	2,890,233	235,562
Debt service:				
Principal retirement	1,586,400	1,604,700	1,604,566	134
Interest and other charges	266,100	251,100	248,467	2,633
Total expenditures	<u>24,723,823</u>	<u>26,256,764</u>	<u>24,845,172</u>	<u>1,411,592</u>
Revenues over (under) expenditures	<u>(4,301,023)</u>	<u>(5,782,071)</u>	<u>(3,387,176)</u>	<u>2,394,895</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,300,000	3,300,000	3,347,000	47,000
Transfers (to) other funds	(47,000)	(2,103,045)	(2,103,045)	-
Long-term debt issued	690,000	690,000	479,700	(210,300)
Proceeds from sale of capital assets	15,000	15,000	33,159	18,159
Appropriated fund balance	343,023	3,880,116	-	(3,880,116)
Total other financing sources (uses)	<u>4,301,023</u>	<u>5,782,071</u>	<u>1,756,814</u>	<u>(4,025,257)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,630,362)</u>	<u>\$ (1,630,362)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>9,230,873</u>	
End of year - June 30			<u>\$ 7,600,511</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, 2019

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 1,889,458	\$ 1,104,736	\$ 610,913	\$ 4,697,997	\$ 2,197,169	\$ 10,500,273
Accounts receivable, net	865,196	1,119,102	4,262,428	1,331,337	371,899	7,949,962
Advanced to other funds	-	-	100,000	10,000	-	110,000
Due from other governments	234,362	1,417,591	-	4,356	48,531	1,704,840
Inventories	425,129	121,614	812,099	443,433	8,281	1,810,556
Prepaid items	28,590	22,550	25,121	40,929	17,562	134,752
Total current assets	<u>3,442,735</u>	<u>3,785,593</u>	<u>5,810,561</u>	<u>6,528,052</u>	<u>2,643,442</u>	<u>22,210,383</u>
Non-current assets:						
Restricted cash and cash equivalents	-	-	560,148	140	40,862	601,150
Advanced to other funds	-	-	1,800,000	890,000	-	2,690,000
Long-term notes receivable	343,837	-	-	-	-	343,837
Capital assets, non-depreciable	18,145,849	16,994,080	160,360	2,745,348	283,024	38,328,661
Capital assets, net	<u>29,611,619</u>	<u>42,176,721</u>	<u>19,176,248</u>	<u>16,981,507</u>	<u>5,048,269</u>	<u>112,994,364</u>
Total non-current assets	<u>48,101,305</u>	<u>59,170,801</u>	<u>21,696,756</u>	<u>20,616,995</u>	<u>5,372,155</u>	<u>154,958,012</u>
Total assets	<u>51,544,040</u>	<u>62,956,394</u>	<u>27,507,317</u>	<u>27,145,047</u>	<u>8,015,597</u>	<u>177,168,395</u>
<b>Deferred Outflows of Resources:</b>						
Contributions to pension plan in						
OPEB deferrals	43,746	52,495	43,746	43,745	17,497	201,229
Pension deferrals	211,137	227,792	166,990	226,663	86,705	919,287
Deferred charge on refunding	<u>173,242</u>	<u>54,871</u>	<u>141,007</u>	<u>46,507</u>	-	<u>415,627</u>
Total deferred outflows of resources	<u>428,125</u>	<u>335,158</u>	<u>351,743</u>	<u>316,915</u>	<u>104,202</u>	<u>1,536,143</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	2,102,010	566,635	1,574,654	709,936	34,224	4,987,459
Accrued interest payable	96,180	76,956	12,082	20,422	-	205,640
Advanced from other funds	27,250	82,750	-	-	-	110,000
Compensated absences payable	20,279	13,595	12,897	14,674	10,344	71,789
Current portion of long-term debt	1,530,185	1,538,987	292,411	298,332	56,010	3,715,925
Liabilities payable from restricted assets:						
Customer deposits	-	-	560,148	140	40,862	601,150
Total current liabilities	<u>3,775,904</u>	<u>2,278,923</u>	<u>2,452,192</u>	<u>1,043,504</u>	<u>141,440</u>	<u>9,691,963</u>
Non-current liabilities:						
Advanced from other funds	490,500	2,199,500	-	-	-	2,690,000
Compensated absences payable	60,837	40,784	38,692	44,023	31,034	215,370
Other long-term debt	15,775,541	18,489,119	2,261,296	2,462,436	93,401	39,081,793
Net pension liability	272,006	293,898	219,311	289,149	111,085	1,185,449
Other post-employment benefits	<u>921,156</u>	<u>1,004,034</u>	<u>845,609</u>	<u>904,739</u>	<u>361,815</u>	<u>4,037,353</u>
Total non-current liabilities	<u>17,520,040</u>	<u>22,027,335</u>	<u>3,364,908</u>	<u>3,700,347</u>	<u>597,335</u>	<u>47,209,965</u>
Total liabilities	<u>21,295,944</u>	<u>24,306,258</u>	<u>5,817,100</u>	<u>4,743,851</u>	<u>738,775</u>	<u>56,901,928</u>
<b>Deferred Inflows of Resources:</b>						
OPEB deferrals	56,577	67,892	56,577	56,576	22,630	260,252
Pension deferrals	4,756	4,960	2,302	6,073	2,159	20,250
Total deferred inflows of resources	<u>61,333</u>	<u>72,852</u>	<u>58,879</u>	<u>62,649</u>	<u>24,789</u>	<u>280,502</u>
<b>Net Position:</b>						
Net investment in capital assets	30,624,984	39,197,566	16,923,908	17,012,594	5,181,882	108,940,934
Unrestricted	<u>(10,096)</u>	<u>(285,124)</u>	<u>5,059,173</u>	<u>5,642,868</u>	<u>2,174,353</u>	<u>12,581,174</u>
Total net position	<u>\$ 30,614,888</u>	<u>\$ 38,912,442</u>	<u>\$ 21,983,081</u>	<u>\$ 22,655,462</u>	<u>\$ 7,356,235</u>	<u>\$ 121,522,108</u>

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, 2019

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Operating Revenues:</b>						
Charges for services	\$ 4,993,997	\$ 5,891,598	\$ 22,870,895	\$ 18,055,137	\$ 1,489,241	\$ 53,300,868
Other fees	47,042	116,979	-	39,611	11,024	214,656
Other operating revenues	92,183	90,619	968,915	85,657	2,688	1,240,062
Total operating revenues	<u>5,133,222</u>	<u>6,099,196</u>	<u>23,839,810</u>	<u>18,180,405</u>	<u>1,502,953</u>	<u>54,755,586</u>
<b>Operating Expenses:</b>						
Administration	730,931	854,945	1,211,823	1,411,930	1,053,565	5,263,194
Operations and maintenance	769,893	1,026,329	17,595,162	11,348,729	713,826	31,453,939
Treatment plant	1,424,321	1,789,814	-	-	-	3,214,135
Depreciation	896,455	1,364,786	604,726	657,628	304,224	3,827,819
Amortization	17,325	5,487	14,100	4,651	-	41,563
Total operating expenses	<u>3,838,925</u>	<u>5,041,361</u>	<u>19,425,811</u>	<u>13,422,938</u>	<u>2,071,615</u>	<u>43,800,650</u>
Operating income (loss)	<u>1,294,297</u>	<u>1,057,835</u>	<u>4,413,999</u>	<u>4,757,467</u>	<u>(568,662)</u>	<u>10,954,936</u>
<b>Non-Operating Revenues (Expenses):</b>						
Grants	-	-	-	-	435,619	435,619
Refund of interest expense	58,274	23,820	-	6,760	-	88,854
Investment earnings	41,353	71,713	43,110	53,469	12,571	222,216
Interest expense and fiscal charges	(560,251)	(464,764)	(73,582)	(111,606)	(875)	(1,211,078)
Total non-operating revenues (expenses)	<u>(460,624)</u>	<u>(369,231)</u>	<u>(30,472)</u>	<u>(51,377)</u>	<u>447,315</u>	<u>(464,389)</u>
Income (loss) before capital contributions and transfers	833,673	688,604	4,383,527	4,706,090	(121,347)	10,490,547
Capital contributions	6,705,789	6,165,579	-	324,538	255,250	13,451,156
Transfers from other funds	425,364	580,060	-	120,470	-	1,125,894
Transfers to other funds	<u>(6,026)</u>	<u>(6,026)</u>	<u>(4,651,576)</u>	<u>(3,087,349)</u>	<u>-</u>	<u>(7,750,977)</u>
Change in net position	7,958,800	7,428,217	(268,049)	2,063,749	133,903	17,316,620
<b>Net Position:</b>						
Beginning year - July 1	<u>22,656,088</u>	<u>31,484,225</u>	<u>22,251,130</u>	<u>20,591,713</u>	<u>7,222,332</u>	<u>104,205,488</u>
End of year - June 30	<u>\$ 30,614,888</u>	<u>\$ 38,912,442</u>	<u>\$ 21,983,081</u>	<u>\$ 22,655,462</u>	<u>\$ 7,356,235</u>	<u>\$ 121,522,108</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, 2019

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 5,017,913	\$ 5,884,873	\$ 23,284,688	\$ 17,582,802	\$ 1,255,115	\$ 53,025,391
Cash paid for goods and services	(1,775,802)	(3,460,626)	(17,937,977)	(11,386,870)	(1,419,132)	(35,980,407)
Cash paid to employees	(694,077)	(842,730)	(1,041,219)	(1,365,126)	(402,005)	(4,345,157)
Net cash provided (used) by operating activities	<u>2,548,034</u>	<u>1,581,517</u>	<u>4,305,492</u>	<u>4,830,806</u>	<u>(566,022)</u>	<u>12,699,827</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Proceeds from operating grants	-	-	-	-	435,619	435,619
Increase (decrease) in due from other funds	(116,488)	(1,255,040)	-	6,606	(28,309)	(1,393,231)
Transfers from (to) other funds	419,338	574,034	(4,651,576)	(2,966,879)	-	(6,625,083)
Net cash provided (used) by non-capital financing activities	<u>302,850</u>	<u>(681,006)</u>	<u>(4,651,576)</u>	<u>(2,960,273)</u>	<u>407,310</u>	<u>(7,582,695)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(16,089,367)	(11,088,836)	(651,060)	(1,906,659)	(515,380)	(30,251,302)
Capital contributions - grants	6,705,789	6,165,579	-	324,538	255,250	13,451,156
Proceeds from issuance of long-term debt	3,386,394	6,500	41,000	35,000	18,000	3,486,894
Payment on notes receivable	26,150	-	-	-	-	26,150
Principal paid on long-term debt	(1,321,392)	(1,538,323)	(283,047)	(313,830)	(51,686)	(3,508,278)
Interest paid on long-term debt	(469,329)	(390,624)	(74,992)	(95,088)	(875)	(1,030,908)
Net cash provided (used) for capital and related financing activities	<u>(7,761,755)</u>	<u>(6,845,704)</u>	<u>(968,099)</u>	<u>(1,956,039)</u>	<u>(294,691)</u>	<u>(17,826,288)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest received from investments	<u>41,353</u>	<u>71,713</u>	<u>43,110</u>	<u>53,469</u>	<u>12,571</u>	<u>222,216</u>
Net increase (decrease) in cash and cash equivalents	(4,869,518)	(5,873,480)	(1,271,073)	(32,037)	(440,832)	(12,486,940)
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>6,758,976</u>	<u>6,978,216</u>	<u>2,442,134</u>	<u>4,730,174</u>	<u>2,678,863</u>	<u>23,588,363</u>
End of year - June 30	<u>\$ 1,889,458</u>	<u>\$ 1,104,736</u>	<u>\$ 1,171,061</u>	<u>\$ 4,698,137</u>	<u>\$ 2,238,031</u>	<u>\$ 11,101,423</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, 2019

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 1,294,297	\$ 1,057,835	\$ 4,413,999	\$ 4,757,467	\$ (568,662)	\$ 10,954,936
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Amortization	17,325	5,487	14,100	4,651	-	41,563
Depreciation	896,455	1,364,786	604,726	657,628	304,224	3,827,819
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(118,842)	(214,322)	(567,487)	(622,308)	(249,200)	(1,772,159)
(Increase) decrease in inventories	46,657	65,110	(29,671)	29,234	705	112,035
(Increase) decrease in prepaids	(16,284)	(7,739)	(15,848)	(25,656)	(1,193)	(66,720)
Increase (decrease) in accounts payable and accrued liabilities	388,039	(701,855)	(194,045)	(41,719)	(48,935)	(598,515)
Increase (decrease) in unearned revenues	3,533	-	6,343	24,565	-	34,441
Increase (decrease) in customer deposits	-	-	6,036	140	1,362	7,538
Increase (decrease) in compensated absences	6,108	10,945	5,539	87	790	23,469
(Increase) decrease in deferred outflows of resources for pensions	(85,421)	(93,468)	(81,397)	(82,016)	(32,961)	(375,263)
Increase (decrease) in net pension liability	101,704	111,284	96,913	97,650	39,244	446,795
Increase (decrease) in deferred inflows of resources for pensions	(2,574)	(2,816)	(2,453)	(2,471)	(993)	(11,307)
(Increase) decrease in deferred outflows of resources for OPEB	1,893	(36,495)	31,581	16,722	(17,098)	(3,397)
Increase (decrease) in deferred inflows of resources for OPEB	13,386	20,655	15,397	15,073	5,992	70,503
Increase (decrease) in other post-employment benefits	1,758	2,110	1,759	1,759	703	8,089
Net cash provided (used) by operating activities	<u>\$ 2,548,034</u>	<u>\$ 1,581,517</u>	<u>\$ 4,305,492</u>	<u>\$ 4,830,806</u>	<u>\$ (566,022)</u>	<u>\$ 12,699,827</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>						
Refund of interest expense	<u>\$ 58,274</u>	<u>\$ 23,820</u>	<u>\$ -</u>	<u>\$ 6,760</u>	<u>\$ -</u>	<u>\$ 88,854</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, 2019

### 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 generally accepted accounting principles 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 City. 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, 2019

*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, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

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.

**Capital Projects Fund.** The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds) that benefit various functions of government within the City.

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 nonmajor capital projects maintained by the City are 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, 2019

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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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.

**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 City and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual, because, generally, they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. Accounting 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 Fund, Special Revenue Funds, Enterprise Funds, and the Electric Capital Reserve Fund. 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, 2019

### 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 as 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"). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market fund, is measured at fair value. The NCCMT-Term Portfolio's securities are valued at fair value.

In accordance with state law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

#### Cash and Investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments (including restricted assets) to 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. The unexpended debt proceeds of the Capital Projects Fund's long-term debt issued are classified as restricted assets because their use is completely restricted for the purpose of which the debt was originally issued.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Powell Bill funds, in the General Fund, are classified as restricted cash for Streets 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.

### Restricted Cash

#### **Governmental Activities:**

##### **General Fund:**

Streets \$ 398,559

##### **Capital Projects Fund:**

Unspent debt proceeds 3,096,544

##### **Raper Roark Trust Fund:**

Downtown redevelopment 614,094

##### **Cemetery Fund:**

Perpetual care of cemetery 630,092

Total governmental activities \$ 4,739,289

#### **Business-Type Activities:**

##### **Electric Fund:**

Customer deposits \$ 560,148

##### **Gas Fund:**

Customer deposits 140

##### **Housing Assistance Fund:**

Customer deposits 40,862

Total business-type activities \$ 601,150

### **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, 2018. 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, 2019

### **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. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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
Land improvements	10-20 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 three items that meet this criteria in the current year – a charge on refunding, pension deferrals, and OPEB deferrals. 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 – pension deferrals and OPEB deferrals.

### 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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. Premiums received on debt issuances are 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.

### **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, 2019.

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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

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 Governmental 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.	\$ 135,468	\$ -
<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.	341,410	31,927
<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.	-	<u>1,244,186</u>
<b>Total</b>	<u>\$ 476,878</u>	<u>\$ 1,276,113</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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>Major Capital Projects Fund</u>	<u>Nonmajor SRF/CPF Funds</u>	<u>Permanent Fund</u>
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 3,223,918	\$ 26,892	\$ 433,639	\$ 11,284
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	225,690	-
<i>Restricted for Streets</i> - Powell Bill 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.	398,559	-	-	-
<i>Restricted for Transportation</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for capital expenditures.	-	3,096,544	-	-
<b>Total</b>	<u>\$ 3,622,477</u>	<u>\$ 3,123,436</u>	<u>\$ 659,329</u>	<u>\$ 11,284</u>

Restricted fund balance differs on Exhibit A from Exhibit C for unspent debt proceeds in the governmental funds of \$3,096,544.

**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 Governmental Funds</u>
<i>Committed for Capital Projects</i> - portion of fund balance that is committed for future capital activities.	<u>\$ -</u>	<u>\$ 215,930</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
<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.	\$ 604,008	\$ -
<i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.	<u>-</u>	<u>2,723,316</u>
Total	<u>\$ 604,008</u>	<u>\$ 2,723,316</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. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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)	\$ 7,600,511
<b>Less:</b>	
Non-spendable	(476,878)
Stabilization by state statute	<u>(3,223,918)</u>
Available for appropriation	<u>\$ 3,899,715</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of the 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 its component unit 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 formal policy regarding custodial credit risks for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. 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, 2019, the City's deposits had a carrying amount of \$8,419,855 and a bank balance of \$10,920,424. Of the City's bank balance, \$1,094,438 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The ABC Board's deposits had a carrying amount of \$392,818 and a bank balance of \$336,610. Of the ABC Board's bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. The City had petty cash of \$4,482 at June 30, 2019, and the ABC Board had petty cash of \$7,680.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Investments

At June 30, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2019</u>	<u>Less Than Six Months</u>	<u>Six Months to Five Years</u>
US Government Agencies	Fair Value - Level 2	\$ 2,361,639	\$ 500,000	\$ 1,861,639
NCCMT - Govt Portfolio	Fair Value - Level 1	1,395,804	N/A	-
NCCMT - Term Portfolio	Fair Value - Level 1	11,083,564	11,083,564	-
Total		<u>\$ 14,841,007</u>	<u>\$ 11,583,564</u>	<u>\$ 1,861,639</u>

All investments are measured using the market approach; using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

*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, NC State Eastern Municipal) are rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. 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. Less than 20% of the City's investments are in US government agencies; Federal Home Loan Bank and NC State Eastern Municipal, 12.54%, and 3.37%, respectively.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes receivable	\$ 168,000	\$ -	\$ 168,000
Accounts receivable	127,717	2,127,697	2,255,414
Total	<u>\$ 295,717</u>	<u>\$ 2,127,697</u>	<u>\$ 2,423,414</u>

Due from other governments consists of the following at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Fund sales tax	\$ 420,308	\$ -	\$ 420,308
General Fund local option sales tax	1,122,972	-	1,122,972
General Fund utility franchise tax	461,310	-	461,310
General Fund NCVTS and grants	157,135	-	157,135
General Fund other	40,240	-	40,240
Capital Projects Fund grants	1,649,376	-	1,649,376
Nonmajor grants	401,682	-	401,682
Water Fund sales tax	-	234,362	234,362
Sewer Fund sales tax	-	146,331	146,331
Sewer Fund grants	-	1,271,260	1,271,260
Gas Fund sales tax	-	4,356	4,356
Nonmajor fund sales tax	-	4,381	4,381
Nonmajor fund other	-	44,150	44,150
Total	<u>\$ 4,253,023</u>	<u>\$ 1,704,840</u>	<u>\$ 5,957,863</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 5,725,393	\$ 5,251	\$ -	\$ -	\$ 5,730,644
Construction in progress	9,693,491	7,974,944	-	(519,581)	17,148,854
Total non-depreciable capital assets	<u>15,418,884</u>	<u>7,980,195</u>	<u>-</u>	<u>(519,581)</u>	<u>22,879,498</u>
<b>Depreciable Capital Assets:</b>					
Buildings	17,753,144	-	-	-	17,753,144
Other improvements	13,792,682	-	-	519,581	14,312,263
Machinery and equipment	8,776,504	228,915	(26,900)	-	8,978,519
Vehicles	9,871,286	1,201,424	(125,818)	-	10,946,892
Infrastructure	11,484,875	-	-	-	11,484,875
Total depreciable capital assets	<u>61,678,491</u>	<u>1,430,339</u>	<u>(152,718)</u>	<u>519,581</u>	<u>63,475,693</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	7,676,241	411,108	-	-	8,087,349
Other improvements	3,380,328	343,768	-	-	3,724,096
Machinery and equipment	7,274,458	492,846	(20,803)	-	7,746,501
Vehicles	8,170,103	566,776	(125,818)	-	8,611,061
Infrastructure	4,687,643	152,800	-	-	4,840,443
Total accumulated depreciation	<u>31,188,773</u>	<u>\$ 1,967,298</u>	<u>\$ (146,621)</u>	<u>\$ -</u>	<u>33,009,450</u>
Total depreciable capital assets, net	<u>30,489,718</u>				<u>30,466,243</u>
Governmental activities capital assets, net	<u>\$ 45,908,602</u>				<u>\$ 53,345,741</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

**Governmental Activities:**

General government	\$	301,078
Public safety		687,690
Transportation		469,919
Environmental protection		233,823
Cultural and recreational		274,788
Total depreciation expense - governmental activities	\$	<u><u>1,967,298</u></u>

Capital asset activity for business-type activities for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Water Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 184,599	\$ -	\$ -	\$ 184,599
Construction in progress	7,979,156	15,695,660	(5,713,566)	17,961,250
Total non-depreciable capital assets	<u>8,163,755</u>	<u>15,695,660</u>	<u>(5,713,566)</u>	<u>18,145,849</u>
<b>Depreciable Capital Assets:</b>				
Buildings and system	13,571,520	82,082	-	13,653,602
Water extensions	27,038,878	86,449	5,713,566	32,838,893
Machinery and equipment	1,382,145	225,176	-	1,607,321
Vehicles	452,074	-	-	452,074
Total depreciable capital assets	<u>42,444,617</u>	<u>393,707</u>	<u>5,713,566</u>	<u>48,551,890</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and system	7,757,097	212,244	-	7,969,341
Water extensions	8,782,287	595,505	-	9,377,792
Machinery and equipment	1,202,995	52,591	-	1,255,586
Vehicles	301,437	36,115	-	337,552
Total accumulated depreciation	<u>18,043,816</u>	<u>\$ 896,455</u>	<u>\$ -</u>	<u>18,940,271</u>
Total depreciable capital assets, net	<u>24,400,801</u>			<u>29,611,619</u>
Water Fund capital assets, net	<u>\$ 32,564,556</u>			<u>\$ 47,757,468</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balances</u>	<u>Additions</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	7,309,445	10,826,230	(1,199,997)	16,935,678
Total non-depreciable capital assets	<u>7,367,847</u>	<u>10,826,230</u>	<u>(1,199,997)</u>	<u>16,994,080</u>
<b>Depreciable Capital Assets:</b>				
Buildings and system	16,826,827	80,961	-	16,907,788
Sewer extensions	43,124,977	175,450	1,199,997	44,500,424
Machinery and equipment	2,049,274	6,195	-	2,055,469
Vehicles	892,462	-	-	892,462
Total depreciable capital assets	<u>62,893,540</u>	<u>262,606</u>	<u>1,199,997</u>	<u>64,356,143</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and system	7,937,789	300,073	-	8,237,862
Sewer extensions	10,175,157	987,210	-	11,162,367
Machinery and equipment	1,935,242	40,771	-	1,976,013
Vehicles	766,448	36,732	-	803,180
Total accumulated depreciation	<u>20,814,636</u>	<u>\$ 1,364,786</u>	<u>\$ -</u>	<u>22,179,422</u>
Total depreciable capital assets, net	<u>42,078,904</u>			<u>42,176,721</u>
Sewer Fund capital assets, net	<u>\$ 49,446,751</u>			<u>\$ 59,170,801</u>

	<u>Beginning Balances</u>	<u>Additions</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	1,737,683	236,606	(1,889,612)	84,677
Total non-depreciable capital assets	<u>1,813,366</u>	<u>236,606</u>	<u>(1,889,612)</u>	<u>160,360</u>
<b>Depreciable Capital Assets:</b>				
Buildings and system	4,158,645	82,082	-	4,240,727
Electric extensions	24,104,546	294,647	1,889,612	26,288,805
Machinery and equipment	1,109,112	37,725	-	1,146,837
Vehicles	1,418,584	-	-	1,418,584
Total depreciable capital assets	<u>30,790,887</u>	<u>414,454</u>	<u>1,889,612</u>	<u>33,094,953</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and system	2,172,585	65,590	-	2,238,175
Electric extensions	8,927,417	478,458	-	9,405,875
Machinery and equipment	1,066,042	17,135	-	1,083,177
Vehicles	1,147,935	43,543	-	1,191,478
Total accumulated depreciation	<u>13,313,979</u>	<u>\$ 604,726</u>	<u>\$ -</u>	<u>13,918,705</u>
Total depreciable capital assets, net	<u>17,476,908</u>			<u>19,176,248</u>
Electric Fund capital assets, net	<u>\$ 19,290,274</u>			<u>\$ 19,336,608</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balances</b>
<b>Gas Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 366,839	\$ -	\$ -	\$ 366,839
Construction in progress	1,253,784	1,124,725	-	2,378,509
Total non-depreciable capital assets	1,620,623	1,124,725	-	2,745,348
<b>Depreciable Capital Assets:</b>				
Buildings and system	2,993,479	82,082	-	3,075,561
Gas extensions	26,038,377	648,150	-	26,686,527
Machinery and equipment	1,215,042	-	-	1,215,042
Vehicles	762,464	51,702	(21,020)	793,146
Total depreciable capital assets	31,009,362	781,934	(21,020)	31,770,276
<b>Less Accumulated Depreciation:</b>				
Buildings and system	453,200	51,769	-	504,969
Sewer extensions	11,929,852	520,302	-	12,450,154
Machinery and equipment	1,149,967	32,859	-	1,182,826
Vehicles	619,142	52,698	(21,020)	650,820
Total accumulated depreciation	14,152,161	\$ 657,628	\$ (21,020)	14,788,769
Total depreciable capital assets, net	16,857,201			16,981,507
Gas Fund capital assets, net	\$ 18,477,824			\$ 19,726,855
<b>Stormwater Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
<b>Depreciable Capital Assets:</b>				
Machinery and equipment	\$ 399,297	\$ 68,472	\$ -	\$ 467,769
Vehicles	53,859	-	-	53,859
Total depreciable capital assets	453,156	68,472	-	521,628
<b>Less Accumulated Depreciation:</b>				
Machinery and equipment	160,317	70,535	-	230,852
Vehicles	33,213	10,772	-	43,985
Total accumulated depreciation	193,530	\$ 81,307	\$ -	274,837
Total depreciable capital assets, net	259,626			246,791
Stormwater Fund capital assets, net	\$ 259,626			\$ 246,791

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Housing Assistance Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 278,173	\$ -	\$ -	\$ 278,173
Construction in progress	<u>4,851</u>	<u>-</u>	<u>-</u>	<u>4,851</u>
Total non-depreciable capital assets	<u>283,024</u>	<u>-</u>	<u>-</u>	<u>283,024</u>
<b>Depreciable Capital Assets:</b>				
Buildings and system	9,412,800	-	-	9,412,800
Other improvements	917,930	421,700	-	1,339,630
Machinery and equipment	170,212	-	-	170,212
Vehicles	<u>163,530</u>	<u>25,208</u>	<u>-</u>	<u>188,738</u>
Total depreciable capital assets	<u>10,664,472</u>	<u>446,908</u>	<u>-</u>	<u>11,111,380</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and system	5,115,577	191,135	-	5,306,712
Other improvements	672,992	19,899	-	692,891
Machinery and equipment	170,212	-	-	170,212
Vehicles	<u>128,204</u>	<u>11,883</u>	<u>-</u>	<u>140,087</u>
Total accumulated depreciation	<u>6,086,985</u>	<u>\$ 222,917</u>	<u>\$ -</u>	<u>6,309,902</u>
Total depreciable capital assets, net	<u>4,577,487</u>			<u>4,801,478</u>
Housing Assistance Fund capital assets, net	<u>\$ 4,860,511</u>			<u>\$ 5,084,502</u>
Total business-type capital assets	<u>\$ 124,899,542</u>			<u>\$ 151,323,025</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### Construction Commitments

The City has active construction projects as of June 30, 2019. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Project Authorizations</u>	<u>Remaining Commitment</u>
<b>Governmental:</b>		
East Gateway Enhancement Project	\$ 436,500	\$ 1,710
Uptown Streetscape/Ped Improvements	3,248,600	61,301
South Washington Street Improvement	250,000	22,080
Uptown Fallen Hero Memorial Park	230,000	24,615
Hanna Property Multi-Purpose Recreation Complex	8,220,800	48,298
Airport Land Easement	1,138,500	50,559
Airport Runway Overlay	2,700,716	110,558
Thanger Project	4,329,998	494,814
Foothills Commerce Center Mass Grading	1,275,000	64,965
Total	<u>21,830,114</u>	<u>878,900</u>
<b>Business-Type:</b>		
<i>Water Fund:</i>		
Farmville Road Water Project	12,480,000	833,492
Water Treatment Plant Upgrade	13,824,676	10,350,277
Uptown Water Infrastructure Replacement	2,624,500	19,567
Total	<u>32,676,277</u>	<u>11,203,336</u>
<i>Sewer Fund:</i>		
Brushy Creek Sewer Outfall	500,000	18,075
Compost Facility Improvements	6,301,708	17,541,686
Westside Sewer Improvements	8,700,000	1,519,709
First Broad WWTP Influent Project	7,000,000	43,726
Total	<u>22,501,708</u>	<u>19,123,196</u>
<i>Electric Fund:</i>		
Marion/Peach/Cherryville	75,315	6,578
Circuit 10-4 Reconductoring	122,585	74,819
WTP Electric Line-Engineering	421,200	67,679
Westside sewer improvements	8,700,000	20,288
First Broad WWTP influent project	7,000,000	55,021
Total	<u>16,319,100</u>	<u>224,385</u>



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Project</u>	<u>Project Authorizations</u>	<u>Remaining Commitment</u>
<i>Gas Fund:</i>		
Highway 74 Bypass Section "C" Gas Line Relocation	831,564	356,738
Bypass Section D&E	175,000	84,440
Marion/Peach/Cherryville	483,024	335,602
Joe's Lake Road Gas Line Relocation	<u>252,126</u>	<u>18,506</u>
Total	<u>1,741,714</u>	<u>795,286</u>
 Total	 <u>\$ 95,068,913</u>	 <u>\$ 32,225,103</u>

Capital asset activity for the ABC Board for the year ended June 30, 2019 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	\$ <u>182,567</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>182,567</u>
<b>Depreciable Capital Assets:</b>				
Buildings	716,487	-	-	716,487
Office and store equipment	399,878	12,686	-	412,564
Land improvements	1,950	-	-	1,950
Vehicle	<u>24,250</u>	<u>-</u>	<u>-</u>	<u>24,250</u>
Total depreciable capital assets	<u>1,142,565</u>	<u>12,686</u>	<u>-</u>	<u>1,155,251</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	642,952	5,327	-	648,279
Office and store equipment	323,592	13,141	-	336,733
Land improvements	204	98	-	302
Vehicle	<u>19,804</u>	<u>2,425</u>	<u>-</u>	<u>22,229</u>
Total accumulated depreciation	<u>986,552</u>	<u>20,991</u>	<u>-</u>	<u>1,007,543</u>
Total ABC depreciable capital assets	<u>156,013</u>	<u>(8,305)</u>	<u>-</u>	<u>147,708</u>
ABC capital assets, net	<u>\$ 338,580</u>	<u>\$ (8,305)</u>	<u>\$ -</u>	<u>\$ 330,275</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 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, 2019 were as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accounts payable	\$ 882,587	\$ 3,504,825
Accrued gas and electric purchases	-	1,327,658
Accrued payroll liabilities	508,709	154,976
Total accounts payable and accrued liabilities	\$ 1,391,296	\$ 4,987,459

#### Long-Term Obligations

All financing arrangements that have an outstanding balance at June 30, 2019 are summarized as follows:

			Balance Outstanding at June 30, 2019								
Financing Agreements	Interest Rate	Date Debt Matures	Amount of Original Debt	Business-Type Activities							Total Business-Type
				Governmental Activities	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund	Total	
Cleveland County	1.68%	03/2022	\$ 183,526	\$ -	\$ -	\$ 55,058	\$ -	\$ -	\$ -	\$ 55,058	
Powell Bill 2015	1.55%	2021	280,000	57,772	-	-	-	-	-	-	
Powell Bill 2016	1.49%	2022	18,006	7,351	-	-	-	-	-	-	
Powell Bill 2017	2.83%	2022	159,104	110,862	-	-	-	-	-	-	
2014 DENR	0.00%	5/2034	726,000	-	-	544,502	-	-	-	544,502	
2015 Purchase of equipment	1.55%	2021	1,859,433	254,975	24,560	17,622	-	18,580	10,306	71,068	
2015 DENR	0.00%	2029	3,130,438	-	-	2,504,350	-	-	-	2,504,350	
2015 DENR	0.00%	2029	9,396,658	-	-	7,987,159	-	-	-	7,987,159	
2016 Purchase of equipment	1.49%	2022	1,333,790	344,305	31,419	17,153	91,045	30,167	23,088	192,872	
2017 Purchase of equipment	1.89%	2022	1,130,000	312,704	49,658	77,659	43,450	25,312	83,797	279,876	
Capital projects	2.83%	2032	7,700,000	6,673,333	-	-	-	-	-	-	
2018 Purchase of equipment	2.39%	2024	1,440,000	1,005,294	-	10,956	97,092	24,244	14,220	146,512	
2019 DENR	1.53%	2039	3,136,393	-	3,136,393	-	-	-	-	3,136,393	
2019 Purchase of equipment	2.95%	2025	479,700	479,700	250,000	6,500	41,000	35,000	18,000	350,500	
Cleveland County	3.25%	2033	1,064,000	-	3,881,431	5,292,857	-	1,099,430	-	10,273,718	
<b>Total</b>			<b>\$ 45,236,798</b>	<b>\$ 9,246,296</b>	<b>\$ 7,373,461</b>	<b>\$ 16,513,816</b>	<b>\$ 272,587</b>	<b>\$ 1,232,733</b>	<b>\$ 149,411</b>	<b>\$ 25,542,008</b>	

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Governmental Activities Long-Term Debt**

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2019 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 1,471,629	\$ 230,793	\$ 1,702,422
2021	1,171,548	200,672	1,372,220
2022	1,005,710	183,656	1,189,366
2023	876,049	156,956	1,033,005
2024	614,694	133,740	748,434
2025-2029	2,566,666	511,451	3,078,117
2030-2032	1,540,000	87,164	1,627,164
Total	<u>\$ 9,246,296</u>	<u>\$ 1,504,432</u>	<u>\$ 10,750,728</u>

The City's outstanding notes from direct placements related to governmental activities is \$9,246,296.

A note of \$57,772 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$7,351 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$110,862 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$254,975 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$344,305 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$312,704 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$6,673,333 which is secured with collateral of the property and equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A note of \$1,005,294 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

A note of \$479,700 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City’s performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney’s fees and other expenses.

**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>
2020	\$ 559,418	\$ 171,277	\$ 730,695
2021	536,176	158,527	694,703
2022	522,090	145,342	667,432
2023	506,696	132,642	639,338
2024	508,211	120,070	628,281
2025-2029	2,276,955	426,699	2,703,654
2030-2034	1,679,821	159,341	1,839,162
2035-2039	784,094	55,000	839,094
<b>Total</b>	<b>\$ 7,373,461</b>	<b>\$ 1,368,898</b>	<b>\$ 8,742,359</b>

<b>Year Ending June 30</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 1,143,581	\$ 164,628	\$ 1,308,209
2021	1,126,636	150,731	1,277,367
2022	1,118,588	136,876	1,255,464
2023	1,073,969	123,542	1,197,511
2024	1,071,167	111,132	1,182,299
2025-2029	5,348,995	370,439	5,719,434
2030-2034	4,534,693	74,090	4,608,783
2035-2036	1,096,187	-	1,096,187
<b>Total</b>	<b>\$ 16,513,816</b>	<b>\$ 1,131,438</b>	<b>\$ 17,645,254</b>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Year Ending June 30</b>	<b>Electric Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 90,587	\$ 5,639	\$ 96,226
2021	92,266	3,972	96,238
2022	47,474	2,216	49,690
2023	33,595	1,055	34,650
2024	8,665	256	8,921
<b>Total</b>	<b>\$ 272,587</b>	<b>\$ 13,138</b>	<b>\$ 285,725</b>

<b>Year Ending June 30</b>	<b>Gas Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 138,879	\$ 36,108	\$ 174,987
2021	120,976	32,634	153,610
2022	106,280	29,297	135,577
2023	98,048	26,243	124,291
2024	91,974	23,325	115,299
2025-2029	422,855	77,022	499,877
2030-2034	253,721	15,405	269,126
<b>Total</b>	<b>\$ 1,232,733</b>	<b>\$ 240,034</b>	<b>\$ 1,472,767</b>

<b>Year Ending June 30</b>	<b>Stormwater Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 56,010	\$ 2,923	\$ 58,933
2021	46,561	1,935	48,496
2022	35,647	1,045	36,692
2023	7,385	302	7,687
2024	3,808	112	3,920
<b>Total</b>	<b>\$ 149,411</b>	<b>\$ 6,317</b>	<b>\$ 155,728</b>

The City's outstanding notes from direct borrowings and direct placements related to business-type activities is \$25,542,008.

The City's outstanding note from direct placement related to business-type activities of \$55,058 is secured with property. The interlocal agreement contains provisions that an event of default would result in (1) County shall have the right and option after subsequent failure to pay any amount of the City Share that is due and owing and then execute promissory note payable in the principal amount that the County paid in excess of the County Share and bearing interest at the rate of one and one-half percent per annum.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City's outstanding note from direct placement related to business-type activities of \$10,273,718 is secured with property. The interlocal agreement contains provisions that an event of default would result in (1) County shall have the right and option after subsequent failure to pay any amount of the City Share that is due and owing and then execute promissory note payable in the principal amount that the County paid in excess of the County Share and bearing interest at the rate of one and one-half percent per annum.

A direct placement note of \$71,068 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A direct placement note of \$192,872 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A direct placement note of \$279,876 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A direct placement note of \$146,512 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

## **CITY OF SHELBY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

A direct placement note of \$350,500 which is secured with collateral of the equipment. The note contains provision that an event of default would result in: (1) the timing of repayment of outstanding amounts become immediately due; (2) enforce the City's performance of the applicable covenants of the agreement or recover for the breach thereof; (3) pay over any balance remaining in the Project Fund to be applied against outstanding required payments in any manner the bank may reasonably deem appropriate; and (4) avail itself of all available remedies under the agreement, including execution and foreclosure under execution on personal property or foreclosure and recovery of attorney's fees and other expenses.

A direct borrowing note of \$544,502 which is secured with collateral of sewer plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

A direct borrowing note of \$2,504,350 which is secured with collateral of sewer plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

A direct borrowing note of \$7,987,159 which is secured with collateral of sewer plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.

A direct borrowing note of \$3,136,393 which is secured with collateral of water plant upgrades. The NCDENR note contains a provision failure to adopt on or before completion of project, place into effect and agree to maintain the principal sum is paid, a schedule of fees that will adequately provide for proper operation, maintenance and administration of the project and for repayment of all principal of and interest on loans. In the event of default, monies owed to the City by the State of North Carolina may be used to satisfy the debt requirement.



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

The outstanding balances on these bonds at June 30, 2019 are as follows:

	<u>Interest Rates</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2019</u>
Combined Enterprise System, Series 2010	6.20%	2025	\$ 8,346,400	\$ 3,945,568
Combined Enterprise System, Series 2013A	2.78%	2029	9,645,000	6,725,000
Combined Enterprise System, Series 2013C	2.69%	2028	3,185,000	2,040,000
Combined Enterprise System, Series 2015	2.50%	2031	2,460,000	1,967,117
Combined Enterprise System, Series 2016	1.95%	2032	3,020,000	<u>2,578,025</u>
Total				<u><u>\$ 17,255,710</u></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>
2020	\$ 970,767	\$ 329,906	\$ 1,300,673
2021	998,151	291,264	1,289,415
2022	1,030,509	251,347	1,281,856
2023	1,063,708	209,997	1,273,705
2024	1,095,697	167,167	1,262,864
2025-2029	3,917,241	360,501	4,277,742
2030-2033	<u>856,192</u>	<u>23,948</u>	<u>880,140</u>
Total	<u><u>\$ 9,932,265</u></u>	<u><u>\$ 1,634,130</u></u>	<u><u>\$ 11,566,395</u></u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Year Ending June 30</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 395,406	\$ 130,332	\$ 525,738
2021	407,053	113,906	520,959
2022	420,281	96,934	517,215
2023	433,783	79,361	513,144
2024	446,913	61,172	508,085
2025-2029	<u>1,410,854</u>	<u>100,306</u>	<u>1,511,160</u>
Total	<u>\$ 3,514,290</u>	<u>\$ 582,011</u>	<u>\$ 4,096,301</u>

<b>Year Ending June 30</b>	<b>Electric Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 201,824	\$ 63,415	\$ 265,239
2021	205,216	57,804	263,020
2022	212,000	52,099	264,099
2023	218,784	46,206	264,990
2024	223,872	40,124	263,996
2025-2029	<u>1,219,424</u>	<u>103,586</u>	<u>1,323,010</u>
Total	<u>\$ 2,281,120</u>	<u>\$ 363,234</u>	<u>\$ 2,644,354</u>

<b>Year Ending June 30</b>	<b>Gas Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 159,453	\$ 51,726	\$ 211,179
2021	163,571	45,753	209,324
2022	168,891	39,602	208,493
2023	174,289	33,237	207,526
2024	179,204	26,653	205,857
2025-2029	<u>682,627</u>	<u>52,261</u>	<u>734,888</u>
Total	<u>\$ 1,528,035</u>	<u>\$ 249,232</u>	<u>\$ 1,777,267</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The City has pledged future water, sewer, electric, and gas customer revenues, net of specified operating expenses, to repay \$47,661,400 revenue bonds series 2004, 2010, 2013, 2015, and 2016. 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 2031. 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 \$20,084,317. Principal and interest paid for the current year and total customer net revenues were \$2,311,740 and \$15,088,756, 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, 2019 was as follows:

Operating revenues	\$ 53,252,633
Operating expenses*	<u>38,163,877</u>
Net income available for debt service	<u>\$ 15,088,756</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 2,311,740</u>
Debt service coverage ratio	<u>652.70%</u>

\*Per rate covenants, this does not include depreciation and amortization expense of \$3,565,158.

**Changes in Long-Term Liabilities.** Long-term liability activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Direct Placement Installment debt	\$ 10,371,162	\$ 479,700	\$ (1,604,566)	\$ 9,246,296	\$ 1,471,629
Total pension liability - LEO	2,533,732	-	(30,953)	2,502,779	-
Compensated absences	1,047,162	710,086	(612,145)	1,145,103	286,276
Net pension liability - LGERS	2,699,487	1,395,660	-	4,095,147	-
Total OPEB liability	<u>12,909,157</u>	<u>706,715</u>	<u>(679,639)</u>	<u>12,936,233</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 29,560,700</u>	<u>\$ 3,292,161</u>	<u>\$ (2,927,303)</u>	<u>\$ 29,925,558</u>	<u>\$ 1,757,905</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
<b>Water Fund:</b>					
Revenue bonds	\$ 10,872,266	\$ -	\$ (940,001)	\$ 9,932,265	\$ 970,767
Direct Placement & Direct Borrowing Installment debt	4,368,458	3,386,394	(381,391)	7,373,461	559,418
Compensated absences	75,008	47,511	(41,403)	81,116	20,279
Net pension liability - LGERS	170,302	101,704	-	272,006	-
Total OPEB liability	<u>919,398</u>	<u>45,890</u>	<u>(44,132)</u>	<u>921,156</u>	<u>-</u>
Water Fund long-term liabilities	<u>\$ 16,405,432</u>	<u>\$ 3,581,499</u>	<u>\$ (1,406,927)</u>	<u>\$ 18,580,004</u>	<u>\$ 1,550,464</u>

<b>Sewer Fund:</b>					
Revenue bonds	\$ 3,896,985	\$ -	\$ (382,695)	\$ 3,514,290	\$ 395,406
Direct Placement & Direct Borrowing Installment debt	17,662,944	6,500	(1,155,628)	16,513,816	1,143,581
Compensated absences	43,434	50,171	(39,226)	54,379	13,595
Net pension liability - LGERS	182,614	111,284	-	293,898	-
Total OPEB liability	<u>1,001,924</u>	<u>55,069</u>	<u>(52,959)</u>	<u>1,004,034</u>	<u>-</u>
Sewer Fund long-term liabilities	<u>\$ 22,787,901</u>	<u>\$ 223,024</u>	<u>\$ (1,630,508)</u>	<u>\$ 21,380,417</u>	<u>\$ 1,552,582</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Electric Fund:</b>					
Revenue bonds	\$ 2,476,160	\$ -	\$ (195,040)	\$ 2,281,120	\$ 201,824
Direct Placement Installment debt	319,594	41,000	(88,007)	272,587	90,587
Compensated absences	46,050	43,954	(38,415)	51,589	12,897
Net pension liability - LGERS	122,398	96,913	-	219,311	-
Total OPEB liability	<u>843,850</u>	<u>45,891</u>	<u>(44,132)</u>	<u>845,609</u>	<u>-</u>
Electric Fund long-term liabilities	<u>\$ 3,808,052</u>	<u>\$ 227,758</u>	<u>\$ (365,594)</u>	<u>\$ 3,670,216</u>	<u>\$ 305,308</u>

<b>Gas Fund:</b>					
Revenue bonds	\$ 1,682,315	\$ -	\$ (154,280)	\$ 1,528,035	\$ 159,453
Direct Placement Installment debt	1,357,283	35,000	(159,550)	1,232,733	138,879
Compensated absences	58,610	46,505	(46,418)	58,697	14,674
Net pension liability - LGERS	191,499	97,650	-	289,149	-
Total OPEB liability	<u>902,980</u>	<u>45,891</u>	<u>(44,132)</u>	<u>904,739</u>	<u>-</u>
Gas Fund long-term liabilities	<u>\$ 4,192,687</u>	<u>\$ 225,046</u>	<u>\$ (404,380)</u>	<u>\$ 4,013,353</u>	<u>\$ 313,006</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Housing Assistance Fund:</b>					
Compensated absences	\$ 31,037	\$ 15,819	\$ (14,299)	\$ 32,557	\$ 8,139
Net pension liability - LGERS	71,841	39,244	-	111,085	-
Total OPEB liability	<u>361,112</u>	<u>18,356</u>	<u>(17,653)</u>	<u>361,815</u>	<u>-</u>
Housing Assistance					
long-term liabilities	<u>\$ 463,990</u>	<u>\$ 73,419</u>	<u>\$ (31,952)</u>	<u>\$ 505,457</u>	<u>\$ 8,139</u>
<b>Stormwater Fund:</b>					
Direct Placement Installment debt	\$ 183,097	\$ 18,000	\$ (51,686)	\$ 149,411	\$ 56,010
Compensated absences	<u>9,551</u>	<u>4,475</u>	<u>(5,205)</u>	<u>8,821</u>	<u>2,205</u>
Stormwater Fund					
long-term liabilities	<u>\$ 192,648</u>	<u>\$ 22,475</u>	<u>\$ (56,891)</u>	<u>\$ 158,232</u>	<u>\$ 58,215</u>
<b>Total Business-Type Activities:</b>					
Revenue bonds	\$ 18,927,726	\$ -	\$ (1,672,016)	\$ 17,255,710	\$ 1,727,450
Direct Placement & Direct Borrowing Installment debt	23,891,376	3,486,894	(1,836,262)	25,542,008	1,988,475
Compensated absences	263,690	208,435	(184,966)	287,159	71,789
Net pension liability - LGERS	738,654	446,795	-	1,185,449	-
Total OPEB liability	<u>4,029,264</u>	<u>211,097</u>	<u>(203,008)</u>	<u>4,037,353</u>	<u>-</u>
Business-type activities					
long-term liabilities	<u>\$ 47,850,710</u>	<u>\$ 4,353,221</u>	<u>\$ (3,896,252)</u>	<u>\$ 48,307,679</u>	<u>\$ 3,787,714</u>

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

At June 30, 2019, the City has a legal debt margin of approximately \$113,790,000.

**Pension Plan and Post-Employment Obligations**

**Local Governmental Employees' Retirement System**

*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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Representatives, one appointed by the State Treasurer, and one appointed by the 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).

### *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 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.

### *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, 2019 was 8.50% of compensation for law enforcement officers and 7.82% for general employees and firefighters, actuarially determined as an amount that, when

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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 \$1,179,602 for the year ended June 30, 2019. The ABC Board’s contributions to LGERS for the year ended June 30, 2019 were \$43,384.

*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, 2019, the City reported a liability of \$5,280,596 for its proportionate share of the net pension liability and the ABC Board reported \$51,717. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City’s proportion of the net pension liability 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, 2018, the City’s proportion was 0.2225%, which was a decrease of 0.0024% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,427,954. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 814,670	\$ 27,336
Changes of assumptions	1,401,266	-
Net difference between projected and actual earnings on pension plan investments	724,869	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,268	77,605
City contributions subsequent to the measurement date	<u>1,179,602</u>	<u>-</u>
Total	<u>\$ 4,126,675</u>	<u>\$ 104,941</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

\$1,179,602 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2020	\$ 1,381,824
2021	900,783
2022	154,095
2023	405,430
2024	-
Thereafter	-
Total	<u>\$ 2,842,132</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2018 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 3.00%. All rates of return and inflation are annualized.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.0%. 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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$ 12,684,449</u>	<u>\$ 5,280,596</u>	<u>\$ (906,179)</u>

***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.

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent 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. A separate report was not issued for the plan.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance’s membership consisted of:

Inactive members currently receiving benefits	6
Active members	<u>72</u>
Total	<u><u>78</u></u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 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 73.

### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2014.

***Deaths After Retirement (Healthy):*** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

***Deaths Before Retirement:*** RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

***Deaths After Retirement (Beneficiary):*** RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

***Deaths After Retirement (Disabled):*** RP-2014 Disabled Retiree base rates projected to 2015 using MP-20 15, projected forward generationally from 2015 using MP-20 15. Rates are adjusted by 103% for males and 99% for females.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
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**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operation budget. There were no contributions made by the employees. The City’s obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$92,591 as benefits came due.

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

At June 30, 2019, the City reported a total pension liability of \$2,502,779. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$171,505.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,446
Changes of assumptions and other inputs	96,865	103,133
City benefit payments and administrative expenses subsequent to the measurement date	<u>61,423</u>	<u>-</u>
Total	<u>\$ 158,288</u>	<u>\$ 129,579</u>

\$61,423 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ (6,243)
2021	(6,243)
2022	(6,243)
2023	(311)
2024	(13,674)
Thereafter	<u>-</u>
Total	<u>\$ (32,714)</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Current Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	<u>\$ 2,695,783</u>	<u>\$ 2,502,779</u>	<u>\$ 2,325,288</u>

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<b>2019</b>
Beginning balance	\$ 2,533,732
Service cost	99,145
Interest on the total pension liability	78,603
Differences between expected and actual experience in the measurement of the total pension liability	(25,457)
Changes of assumptions or other inputs	(90,653)
Benefit payments	<u>(92,591)</u>
Ending balance of the total pension liability	<u>\$ 2,502,779</u>

The plan currently uses mortality tables that vary by age, 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	0.22259%	n/a	
Pension liability	\$ 5,280,596	\$ 2,502,779	\$ 7,783,375
Pension expense	1,427,954	171,505	1,599,459

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>			
Pensions - difference between expected and actual experience	\$ 814,670	\$ -	\$ 814,670
Net difference between projected and actual investment earnings	724,869	-	724,869
Changes of assumptions	1,401,266	96,865	1,498,131
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	6,268	-	6,268
Benefit payments and administration costs subsequent to the measurement date	<u>1,179,602</u>	<u>61,423</u>	<u>1,241,025</u>
Total	<u>\$ 4,126,675</u>	<u>\$ 158,288</u>	<u>\$ 4,284,963</u>

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pensions - difference between expected and actual experience	\$ 27,336	\$ 26,446	\$ 53,782
Changes of assumptions	-	103,133	103,133
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	<u>77,605</u>	<u>-</u>	<u>77,605</u>
Total	<u>\$ 104,941</u>	<u>\$ 129,579</u>	<u>\$ 234,520</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 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 contributed \$737,724 for the reporting year. No amounts were forfeited.

### 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). The City Board has the authority to establish and amend the benefit terms and financing requirements. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	54
Active plan members	<u>322</u>
	<u><u>376</u></u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Total OPEB Liability**

The City’s total OPEB liability of \$16,973,586 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including wage inflation
Discount rate	3.89 percent
Health Care Cost Trends:	
Pre-Medicare	7.50 percent for 2017 decreasing to an ultimate rate of 5.00% by 2023

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at June 30, 2018	<u>\$ 16,938,421</u>
Changes for the year:	
Service cost	777,437
Interest	587,434
Differences between expected and actual experience	83,254
Changes of assumptions or other inputs	(530,312)
Benefit payments	<u>(882,648)</u>
Net changes	<u>35,165</u>
Balance at June 30, 2019	<u><u>\$ 16,973,586</u></u>

The mutual bond index rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond index rate as of the measurement date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	<b>1% Decrease (2.89%)</b>	<b>Current Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Total OPEB liability	<u>\$ 18,643,467</u>	<u>\$ 16,973,586</u>	<u>\$ 15,483,801</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 15,042,740</u>	<u>\$ 16,973,586</u>	<u>\$ 19,274,266</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,203,178. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 88,697	\$ -
Changes of assumptions and other inputs	-	1,131,530
City benefit payments and administrative expenses subsequent to the measurement date	<u>786,213</u>	<u>-</u>
Total	<u>\$ 874,910</u>	<u>\$ 1,131,530</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

\$786,213 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2020	\$ (167,977)
2021	(167,977)
2022	(167,977)
2023	(167,977)
2024	(167,977)
Thereafter	<u>(202,948)</u>
Total	<u><u>\$ (1,042,833)</u></u>

**Other Employment Benefit**

The City and ABC Board have 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 and ABC Board, the City and ABC Board do not determine the number of eligible participants. The City and ABC Board have 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 and ABC Board consider these contributions to be immaterial.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Deferred Outflows and Inflows of Resources**

The City has several deferred outflows and inflows of resources. They are comprised of the following:

<u>Source</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Contributions to pension plan in current fiscal year:		
LGERS	\$ 1,179,602	\$ -
LEOSSA	61,423	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	786,213	-
Differences between expected and actual experience:		
LGERS	814,670	27,336
LEOSSA	-	26,446
OPEB	88,697	-
Changes in assumptions:		
LGERS	1,401,266	-
LEOSSA	96,865	103,133
OPEB	-	1,131,530
Net difference between projected and actual:		
LGERS	724,869	-
Changes in proportion and differences between employer contributions and proportionate share:		
LGERS	6,268	77,605
Deferred charge on refunding	415,627	-
Taxes receivable (General Fund)	-	279,121
Taxes receivable (nonmajor funds)	-	3,634
Grant receivables (Capital Projects Fund)	-	1,623,697
Total	<u>\$ 5,575,500</u>	<u>\$ 3,272,502</u>

**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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

### **Claims, Judgments, and Contingent Liabilities**

At June 30, 2019, 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.

### **Summary Disclosure of Significant Contingencies**

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**3. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances and due to/from other funds:		
Electric Fund	Water Fund	\$ 517,750
Electric Fund	Sewer Fund	1,382,250
Gas Fund	Sewer Fund	900,000
Total		<u>\$ 2,800,000</u>

The \$1 million loan between the Gas Fund and the Sewer Fund will be repaid over 20 years. The amounts due in more than a year is shown as advances to/from other funds. The balance as of June 30, 2019 was \$900,000. The \$2 million loan between the Electric Fund and the Water and Sewer Funds will be repaid over 20 years. The amounts due in more than a year is shown as advances to/from other funds. The balances as of June 30, 2019 for the Water and Sewer Funds were \$517,750 and \$1,382,250, respectively.

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Electric Fund	\$ 947,000	City's transfer policy - return investment
	Gas Fund	2,400,000	
Capital Projects Fund	General Fund	1,347,268	Capital purposes - grant match
	Water Fund	1,026	
	Sewer Fund	1,026	
	Electric Fund	3,319,278	
	Gas Fund	2,051	
Nonmajor Special Revenue Fund	General Fund	755,777	Economic development purposes - grant match
	Water Fund	5,000	
	Sewer Fund	5,000	
	Electric Fund	385,298	
	Gas Fund	685,298	
Water Fund	Economic Development	425,364	Economic development incentive
Sewer Fund	Economic Development	580,060	Economic development incentive
Gas Fund	Economic Development	120,470	Economic development incentive
Total		<u>\$ 10,979,916</u>	

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 4. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following:

**Governmental Activities:**

Capital assets, net of accumulated depreciation	\$ 53,345,741
Outstanding balance on related debt	(9,246,296)
Unspent debt proceeds	<u>3,096,544</u>
Total governmental activities	<u><u>\$ 47,195,989</u></u>

**Business-Type Activities:**

**Water Fund:**

Capital assets, net of accumulated depreciation	\$ 47,757,468
Outstanding balance on related debt	(17,305,726)
Deferred charge on refunding	<u>173,242</u>
Total Water	<u><u>30,624,984</u></u>

**Sewer Fund:**

Capital assets, net of accumulated depreciation	59,170,801
Outstanding balance on related debt	(20,028,106)
Deferred charge on refunding	<u>54,871</u>
Total Sewer	<u><u>39,197,566</u></u>

**Electric Fund:**

Capital assets, net of accumulated depreciation	19,336,608
Outstanding balance on related debt	(2,553,707)
Deferred charge on refunding	<u>141,007</u>
Total Electric	<u><u>16,923,908</u></u>

**Gas Fund:**

Capital assets, net of accumulated depreciation	19,726,855
Outstanding balance on related debt	(2,760,768)
Deferred charge on refunding	<u>46,507</u>
Total Gas	<u><u>17,012,594</u></u>

**Stormwater Fund:**

Capital assets, net of accumulated depreciation	246,791
Outstanding balance on related debt	<u>(149,411)</u>
Total Stormwater	<u><u>97,380</u></u>

**Housing Assistance Fund:**

Capital assets, net of accumulated depreciation	<u>5,084,502</u>
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Total business-type activities	<u><u>\$ 108,940,934</u></u>
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# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 5. **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, 2019 were \$14,518,326.

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 \$11,104 to the Commission during the year ended June 30, 2019.







## **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 Changes in Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset) to the Local Government Employees' Retirement System
- Schedule of Contributions to the Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance



## CITY OF SHELBY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TWO FISCAL YEARS**

	<b>Total OPEB Liability</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 16,938,421	\$ 17,227,773
Service cost	777,437	844,592
Interest on TOL and cash flows	587,434	507,111
Differences between expected and actual experience	83,254	21,481
Changes of assumptions or other inputs	(530,312)	(896,404)
Benefit payments	(882,648)	(766,132)
Ending balance of the total pension liability	<u>\$ 16,973,586</u>	<u>\$ 16,938,421</u>
Covered payroll	\$ 12,728,673	\$ 12,728,673
Total OPEB liability as a percentage of covered payroll	133.35%	133.07%

**Notes to Required Schedule:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<b>Fiscal Year</b>	<b>Rate</b>
2019	3.89%
2018	3.56%

## CITY OF SHELBY, NORTH CAROLINA

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

	Local Government Employees' Retirement System					
	2019	2018	2017	2016	2015	2014
Shelby's proportion of the net pension liability (asset) (%)	0.22259%	0.22505%	0.21857%	0.21316%	0.21615%	0.25200%
Shelby's proportion of the net pension liability (asset) (\$)	\$ 5,280,596	\$ 3,438,141	\$ 4,638,788	\$ 956,648	\$ (1,274,737)	\$ 2,714,525
Shelby's covered payroll	\$ 13,525,005	\$ 13,368,109	\$ 12,458,381	\$ 11,891,524	\$ 11,775,999	\$ 11,242,846
Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.04%	25.72%	37.23%	8.04%	( 10.82%)	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	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.

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## CITY OF SHELBY, NORTH CAROLINA

CITY OF SHELBY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS

	<b>Local Government Employees' Retirement System</b>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,179,602	\$ 1,046,976	\$ 1,004,436	\$ 855,814	\$ 851,812	\$ 838,951
Contributions in relation to the contractually required contribution	<u>1,179,602</u>	<u>1,046,976</u>	<u>1,004,436</u>	<u>855,814</u>	<u>851,812</u>	<u>838,951</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Shelby's covered payroll	\$ 14,754,447	\$ 13,525,005	\$ 13,368,109	\$ 12,458,381	\$ 11,891,524	\$ 11,775,999
Contributions as a percentage of covered payroll	7.99%	7.74%	7.51%	6.87%	7.16%	7.12%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

## CITY OF SHELBY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST THREE FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,533,732	\$ 2,277,534	\$ 2,215,455
Service cost	99,145	92,375	95,912
Interest on the total pension liability	78,603	86,757	78,062
Differences between expected and actual experience in the measurement of the total pension liability	(25,457)	(8,199)	-
Changes of assumptions or other inputs	(90,653)	145,177	(54,219)
Benefit payments	<u>(92,591)</u>	<u>(59,912)</u>	<u>(57,676)</u>
Ending balance of the total pension liability	<u>\$ 2,502,779</u>	<u>\$ 2,533,732</u>	<u>\$ 2,277,534</u>

**Notes to the Schedule:**

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Note: This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

## CITY OF SHELBY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST THREE FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534
Covered payroll	3,459,140	3,568,670	3,526,429
Total pension liability as a percentage of covered payroll	72.35%	71.00%	64.58%

**Notes to the Schedule:**

City of Shelby has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.







## **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, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 10,400,000	\$ 10,632,280	\$ 232,280	\$ 10,114,541
Prior years	180,000	90,043	(89,957)	123,587
Tax discounts	(28,000)	(26,950)	1,050	(27,499)
Interest and penalties	25,000	38,827	13,827	33,803
Total	10,577,000	10,734,200	157,200	10,244,432
<b>Other Taxes and Licenses:</b>				
Local option sales tax	3,900,000	4,535,002	635,002	3,964,274
Privilege licenses	6,000	6,710	710	7,250
Total	3,906,000	4,541,712	635,712	3,971,524
<b>Unrestricted Intergovernmental Revenues:</b>				
Payment in lieu of taxes	9,000	14,589	5,589	14,574
Utility franchise tax	2,000,000	2,023,730	23,730	1,974,948
Beer and wine tax	93,000	86,755	(6,245)	88,472
ABC revenue	110,000	145,716	35,716	186,777
Total	2,212,000	2,270,790	58,790	2,264,771
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	593,600	589,753	(3,847)	600,090
Federal and state grants	196,893	229,093	32,200	249,850
ABC law enforcement revenue	15,000	17,267	2,267	28,089
Rental vehicle gross receivable tax	30,000	47,539	17,539	37,387
Total	835,493	883,652	48,159	915,416
<b>Permits and Fees:</b>				
Building permits/inspection fees	175,000	61,867	(113,133)	100,038
Other permits	100,800	158,007	57,207	166,662
Filing fees	-	400	400	440
Total	275,800	220,274	(55,526)	267,140
<b>Sales and Services:</b>				
Court costs and fees	7,000	11,339	4,339	7,787
Golf cart rentals	56,650	44,334	(12,316)	54,984
Recreation revenue	283,250	246,677	(36,573)	241,654
Garbage disposal fees	1,278,000	1,272,796	(5,204)	961,398
Recycling fees	240,000	240,923	923	242,430
Utility late fees	130,000	159,550	29,550	146,750
Airport fuel sales	220,000	207,871	(12,129)	248,801
Other rent	63,000	59,873	(3,127)	38,830
Total	2,277,900	2,243,363	(34,537)	1,942,634

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, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019		Variance Over/Under	2018
	Budget	Actual		Actual
<b>Investment Earnings</b>	70,000	209,088	139,088	136,130
<b>Miscellaneous:</b>				
Student resource officer	221,500	221,500	-	221,500
Public nuisance	13,000	100,926	87,926	25,408
Donations	-	-	-	13,164
Other	86,000	32,491	(53,509)	60,594
Total	320,500	354,917	34,417	320,666
Total revenues	20,474,693	21,457,996	983,303	20,062,713
<b>Expenditures:</b>				
<b>General Government:</b>				
Mayor and council	82,617	78,187	4,430	71,281
Administration and general	248,546	219,815	28,731	194,426
Finance	533,447	523,434	10,013	476,186
Purchasing	115,260	40,561	74,699	26,552
Legal	12,200	11,933	267	9,860
Human resources	192,793	157,270	35,523	160,817
City hall	115,750	112,350	3,400	86,984
Building and zoning	286,050	259,137	26,913	253,217
Community development	533,850	509,489	24,361	543,769
Special appropriations	972,235	797,089	175,146	935,862
Total	3,092,748	2,709,265	383,483	2,758,954
<b>Public Safety:</b>				
Police department	7,674,364	7,534,582	139,782	6,586,521
Fire department	5,488,909	5,423,896	65,013	3,944,972
Total	13,163,273	12,958,478	204,795	10,531,493
<b>Transportation:</b>				
Streets and highways	1,195,755	1,170,842	24,913	1,306,577
Street maintenance and repairs - Powell Bill	128,364	108,108	20,256	254,258
Street construction and improvement - Powell Bill	772,065	312,977	459,088	444,945
Garage	499,975	491,071	8,904	432,913
Airport	412,154	380,076	32,078	390,563
Total	3,008,313	2,463,074	545,239	2,829,256
<b>Environmental Protection:</b>				
Sanitation	1,731,435	1,696,812	34,623	1,526,889
Recycling	279,400	274,277	5,123	258,910
Total	2,010,835	1,971,089	39,746	1,785,799

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, 2019**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018**

	2019			2018
	Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreational:</b>				
Parks and recreation	3,125,795	2,890,233	235,562	2,431,237
<b>Debt Service:</b>				
Principal retirement	1,604,700	1,604,566	134	1,492,887
Interest	251,100	248,467	2,633	242,025
Total	1,855,800	1,853,033	2,767	1,734,912
Total expenditures	26,256,764	24,845,172	1,411,592	22,071,651
Revenues over (under) expenditures	(5,782,071)	(3,387,176)	2,394,895	(2,008,938)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,300,000	3,347,000	47,000	2,935,000
Transfers (to) other funds	(2,103,045)	(2,103,045)	-	(1,047,369)
Long-term debt issued	690,000	479,700	(210,300)	1,258,992
Proceeds from the sale of capital assets	15,000	33,159	18,159	35,241
Appropriated fund balance	3,880,116	-	(3,880,116)	-
Total other financing sources (uses)	5,782,071	1,756,814	(4,025,257)	3,181,864
Net change in fund balance	\$ -	(1,630,362)	\$ (1,630,362)	1,172,926
<b>Fund Balance:</b>				
Beginning of year - July 1		9,230,873		8,057,947
End of year - June 30		\$ 7,600,511		\$ 9,230,873





## MAJOR GOVERNMENTAL FUND

### *Capital Project Funds*

**Capital Projects Fund** – This fund is used to account for the acquisition or construction of various City assets.





## CITY OF SHELBY, NORTH CAROLINA

**CAPITAL PROJECTS FUND - MAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Actual		
		Prior Years	Current Year	Total
<b>Revenues:</b>				
Trail Grant	\$ 258,200	\$ 273,148	\$ 45,000	\$ 318,148
Airport Grant 2011	158,333	147,862	-	147,862
Airport land easement	1,081,575	947,270	20,782	968,052
CDBG Catalyst Grant 2011	500,000	496,353	-	496,353
Airport Grant 2012-13	158,333	158,351	-	158,351
Airport Grant 2013-14	158,333	85,320	-	85,320
Airport Grant 2014-15 (AP141)	158,333	-	75,126	75,126
CDBG Carolina Suttle	-	1,200	-	1,200
Hanna Property Multi-Purpose Recreation Complex	-	64,250	43,000	107,250
Airport T Hanger	3,757,386	-	167,596	167,596
Airport Runway Overlay	2,565,680	152,344	2,296,559	2,448,903
PSAP Communication addition	1,280,993	920,993	-	920,993
All Aboard! Parks & Rec 2017 NC Connect Grant	250,000	250,000	-	250,000
Holly Oak Playground	90,000	-	90,000	90,000
Urgent repair program	668,538	296,717	-	296,717
Uptown Fallen Hero Memorial Park	174,000	21,380	137,620	159,000
Investment earnings	-	161,062	62,787	223,849
Total revenues	<u>11,259,704</u>	<u>3,976,250</u>	<u>2,938,470</u>	<u>6,914,720</u>
<b>Expenditures:</b>				
Carolina Thread Trail	415,450	390,933	47,330	438,263
Airport Grant 2011	166,667	166,667	-	166,667
Airport land easement	1,138,500	997,128	22,667	1,019,795
CDBG Catalyst Grant 2011	500,000	507,172	-	507,172
Police department roof	170,500	176,701	-	176,701
FCC Roads Phase II	408,700	460,210	-	460,210
Airport Grant 2012-13	166,667	167,031	-	167,031
Airport Grant 2013-14 (AP131)	166,667	89,811	-	89,811
Airport Grant 2014-15 (AP141)	166,667	-	79,081	79,081
Airport T Hanger	4,329,998	-	1,921,051	1,921,051
Airport Runway Overlay	2,700,716	160,363	2,417,310	2,577,673
East Gateway Enhancement Project	436,500	397,900	14,843	412,743
Hanna Property Multi-Purpose Recreation Complex	8,220,800	5,263,390	2,781,140	8,044,530
PSAP Communication addition	1,755,000	1,747,325	-	1,747,325
All Aboard! Parks & Rec 2017 NC Connect Grant	322,500	331,643	-	331,643
S. Washington Street	250,000	-	227,172	227,172
Holly Oak Playground	108,500	-	106,839	106,839
Uptown Streetscape/Ped Improvements	3,248,600	277,778	80,769	358,547
Urgent repair program	500,000	296,717	46,717	343,434
Uptown Fallen Hero Memorial Park	230,000	17,380	276,743	294,123
Total expenditures	<u>25,402,432</u>	<u>11,448,149</u>	<u>8,021,662</u>	<u>19,469,811</u>
Revenues over (under) expenditures	<u>(14,142,728)</u>	<u>(7,471,899)</u>	<u>(5,083,192)</u>	<u>(12,555,091)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	6,442,728	2,675,122	4,670,649	7,345,771
Long-term debt issued	7,700,000	7,700,000	-	7,700,000
Total other financing sources (uses)	<u>14,142,728</u>	<u>10,375,122</u>	<u>4,670,649</u>	<u>15,045,771</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 2,903,223</u>	<u>\$ (412,543)</u>	<u>\$ 2,490,680</u>





## 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*

- **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, 2019

	<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	\$ 2,957,854	\$ 215,930	\$ -	\$ 3,173,784
Receivables, net:				
Taxes	3,634	-	-	3,634
Accounts	10,719	-	11,284	22,003
Interest	1,862	41	-	1,903
Loans	19,335	-	-	19,335
Due from other governments	401,682	-	-	401,682
Prepays	31,927	-	-	31,927
Cash and cash equivalents - restricted	-	-	1,244,186	1,244,186
<b>Total assets</b>	<b>\$ 3,427,013</b>	<b>\$ 215,971</b>	<b>\$ 1,255,470</b>	<b>\$ 4,898,454</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 8,848	\$ -	\$ -	\$ 8,848
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	3,634	-	-	3,634
<b>Fund Balances:</b>				
Non-spendable:				
Perpetual	-	-	1,244,186	1,244,186
Prepays	31,927	-	-	31,927
Restricted:				
Stabilization by state statute	433,598	41	11,284	444,923
Public safety	225,690	-	-	225,690
Committed:				
Capital projects	-	215,930	-	215,930
Assigned:				
Economic development	2,723,316	-	-	2,723,316
<b>Total fund balances</b>	<b>3,414,531</b>	<b>215,971</b>	<b>1,255,470</b>	<b>4,885,972</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,427,013</b>	<b>\$ 215,971</b>	<b>\$ 1,255,470</b>	<b>\$ 4,898,454</b>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 113,615	\$ -	\$ -	\$ 113,615
Restricted intergovernmental	839,674	148,959	-	988,633
Investment earnings	52,523	1,193	8,115	61,831
Miscellaneous	153,916	-	-	153,916
Donations	-	-	45,196	45,196
Total revenues	<u>1,159,728</u>	<u>150,152</u>	<u>53,311</u>	<u>1,363,191</u>
<b>Expenditures:</b>				
General government	-	-	244	244
Public safety	85,576	-	-	85,576
Housing and redevelopment	871,998	151,858	-	1,023,856
Total expenditures	<u>957,574</u>	<u>151,858</u>	<u>244</u>	<u>1,109,676</u>
Revenues over (under) expenditures	<u>202,154</u>	<u>(1,706)</u>	<u>53,067</u>	<u>253,515</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,836,373	-	-	1,836,373
Transfers (to) other funds	(1,125,894)	-	-	(1,125,894)
Proceeds from sale of assets	300,000	-	-	300,000
Total other financing sources (uses)	<u>1,010,479</u>	<u>-</u>	<u>-</u>	<u>1,010,479</u>
Net change in fund balances	1,212,633	(1,706)	53,067	1,263,994
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,201,898</u>	<u>217,677</u>	<u>1,202,403</u>	<u>3,621,978</u>
End of year - June 30	<u>\$ 3,414,531</u>	<u>\$ 215,971</u>	<u>\$ 1,255,470</u>	<u>\$ 4,885,972</u>

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019

	<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	\$ 225,690	\$ 2,732,164	\$ 2,957,854
Receivables, net:			
Taxes	-	3,634	3,634
Accounts	10,719	-	10,719
Interest	-	1,862	1,862
Loans	-	19,335	19,335
Prepaid items	1,927	30,000	31,927
Due from other governments	-	401,682	401,682
	<u>-</u>	<u>401,682</u>	<u>401,682</u>
Total assets	<u>\$ 238,336</u>	<u>\$ 3,188,677</u>	<u>\$ 3,427,013</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 8,848</u>	<u>\$ 8,848</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	<u>-</u>	<u>3,634</u>	<u>3,634</u>
<b>Fund Balances:</b>			
Non-spendable:			
Prepays	1,927	30,000	31,927
Restricted:			
Stabilization by state statute	10,719	422,879	433,598
Public safety	225,690	-	225,690
Assigned:			
Economic development	-	2,723,316	2,723,316
Total fund balances	<u>238,336</u>	<u>3,176,195</u>	<u>3,414,531</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 238,336</u>	<u>\$ 3,188,677</u>	<u>\$ 3,427,013</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, 2019**

	<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	\$ -	\$ 113,615	\$ 113,615
Restricted intergovernmental	128,630	711,044	839,674
Investment earnings	-	52,523	52,523
Miscellaneous income	-	153,916	153,916
Total revenues	<u>128,630</u>	<u>1,031,098</u>	<u>1,159,728</u>
<b>Expenditures:</b>			
Public safety	85,576	-	85,576
Housing and redevelopment	-	871,998	871,998
Total expenditures	<u>85,576</u>	<u>871,998</u>	<u>957,574</u>
Revenues over (under) expenditures	<u>43,054</u>	<u>159,100</u>	<u>202,154</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	-	300,000	300,000
Transfers from other funds	-	1,836,373	1,836,373
Transfers (to) other funds	-	(1,125,894)	(1,125,894)
Total other financing sources (uses)	<u>-</u>	<u>1,010,479</u>	<u>1,010,479</u>
Net change in fund balances	43,054	1,169,579	1,212,633
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>195,282</u>	<u>2,006,616</u>	<u>2,201,898</u>
End of year - June 30	<u>\$ 238,336</u>	<u>\$ 3,176,195</u>	<u>\$ 3,414,531</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, 2019

	<u>2019</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 107,000	\$ 128,630	\$ 21,630
<b>Expenditures:</b>			
Public safety:			
Software	20,000	-	20,000
Furniture	500	-	500
Travel and training	3,000	2,699	301
Hardware	7,000	5,683	1,317
Phone system	76,500	77,194	(694)
Total expenditures	<u>107,000</u>	<u>85,576</u>	<u>21,424</u>
Net change in fund balance	<u>\$ -</u>	43,054	<u>\$ 43,054</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>195,282</u>	
End of year - June 30		<u>\$ 238,336</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, 2019

	<b>2019</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 108,500	\$ 113,615	\$ 5,115
Restricted intergovernmental	181,000	711,044	530,044
Investment earnings	3,000	52,523	49,523
Miscellaneous income	2,000	161,016	159,016
Total revenues	<u>294,500</u>	<u>1,038,198</u>	<u>743,698</u>
<b>Expenditures:</b>			
Housing and redevelopment	<u>1,004,979</u>	<u>871,998</u>	<u>132,981</u>
Revenues over (under) expenditures	<u>(710,479)</u>	<u>166,200</u>	<u>876,679</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	-	300,000	300,000
Transfers from other funds	1,836,373	1,836,373	-
Transfers (to) other funds	<u>(1,125,894)</u>	<u>(1,125,894)</u>	<u>-</u>
Total other financing sources (uses)	<u>710,479</u>	<u>1,010,479</u>	<u>300,000</u>
Net change in fund balance	<u>\$ -</u>	<u>1,176,679</u>	<u>\$ 1,176,679</u>
<b>Reconciliation of Budgetary Basis with Modified Accrual Basis:</b>			
Payment received on notes receivable		<u>(7,100)</u>	
Net change in fund balance (deficit), modified accrual basis		1,169,579	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,006,616</u>	
End of year - June 30		<u>\$ 3,176,195</u>	

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2019

	<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	\$ 16,455	\$ 199,475	\$ 215,930
Interest receivable	41	-	41
Total assets	<u>\$ 16,496</u>	<u>\$ 199,475</u>	<u>\$ 215,971</u>
<b>Fund Balances:</b>			
Restricted:			
Stabilization by state statute	\$ 41	\$ -	\$ 41
Committed	16,455	199,475	215,930
Total fund balances	<u>\$ 16,496</u>	<u>\$ 199,475</u>	<u>\$ 215,971</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, 2019**

	<b>Economic Development Project Fund</b>	<b>Economic Development Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 148,959	\$ -	\$ 148,959
Investment earnings	1,193	-	1,193
Total revenues	<u>150,152</u>	<u>-</u>	<u>150,152</u>
<b>Expenditures:</b>			
Redevelopment	<u>151,858</u>	<u>-</u>	<u>151,858</u>
Net change in fund balances	(1,706)	-	(1,706)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>18,202</u>	<u>199,475</u>	<u>217,677</u>
End of year - June 30	<u>\$ 16,496</u>	<u>\$ 199,475</u>	<u>\$ 215,971</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, 2019**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues:</b>				
County, local grants	\$ 2,506,657	\$ 2,157,602	\$ 75,874	\$ 2,233,476
Restricted intergovernmental	263,000	40,000	73,085	113,085
Investment earnings	-	794	1,193	1,987
Total revenues	<u>2,769,657</u>	<u>2,198,396</u>	<u>150,152</u>	<u>2,348,548</u>
<b>Expenditures:</b>				
Payment to Cleveland County	350,000	349,738	-	349,738
Foothills Farmers Market	1,060,000	1,059,359	-	1,059,359
Foothills Commerce Center Mass Grading	1,275,000	1,167,528	-	1,167,528
Washburn Switch Business Park Roadway	438,210	203,758	-	203,758
FCC job ready shell building #2	3,000,000	2,953,095	-	2,953,095
FCC job ready shell building #3	200,000	-	151,858	151,858
NS Rail Trail Corridor	71,500	71,769	-	71,769
Total expenditures	<u>6,394,710</u>	<u>5,805,247</u>	<u>151,858</u>	<u>5,957,105</u>
Revenues over (under) expenditures	(3,625,053)	(3,606,851)	(1,706)	(3,608,557)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<u>3,625,053</u>	<u>3,625,053</u>	<u>-</u>	<u>3,625,053</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 18,202</u>	<u>\$ (1,706)</u>	<u>\$ 16,496</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, 2019**

	<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	1,500,000	1,699,475	-	1,699,475
Total other financing sources (uses)	<u>-</u>	<u>199,475</u>	<u>-</u>	<u>199,475</u>
Net change in fund balance	<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, 2019

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
<b>Assets:</b>			
Accounts receivable, net	\$ 11,284	\$ -	\$ 11,284
Cash and cash equivalents - restricted	<u>614,094</u>	<u>630,092</u>	<u>1,244,186</u>
Total assets	<u>\$ 625,378</u>	<u>\$ 630,092</u>	<u>\$ 1,255,470</u>
<b>Fund Balances:</b>			
Non-spendable:			
Perpetual	\$ 614,094	\$ 630,092	\$ 1,244,186
Restricted for stabilization by state statute	<u>11,284</u>	<u>-</u>	<u>11,284</u>
Total fund balances	<u>\$ 625,378</u>	<u>\$ 630,092</u>	<u>\$ 1,255,470</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, 2019**

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
<b>Revenues:</b>			
Investment earnings	\$ 8,115	\$ -	\$ 8,115
Donations	<u>4,525</u>	<u>40,671</u>	<u>45,196</u>
Total revenues	<u>12,640</u>	<u>40,671</u>	<u>53,311</u>
<b>Expenditures:</b>			
General government	<u>244</u>	<u>-</u>	<u>244</u>
Net change in fund balances	12,396	40,671	53,067
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>612,982</u>	<u>589,421</u>	<u>1,202,403</u>
End of year - June 30	<u>\$ 625,378</u>	<u>\$ 630,092</u>	<u>\$ 1,255,470</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 4,958,000	\$ 4,993,997	\$ 35,997
Water taps	40,000	43,922	3,922
Water cutoffs	4,000	3,120	(880)
Other	109,800	118,333	8,533
Total operating revenues	<u>5,111,800</u>	<u>5,159,372</u>	<u>47,572</u>
Non-operating revenues:			
Grant - refund of interest expense	65,000	58,274	(6,726)
Investment earnings	3,000	1,412	(1,588)
Total non-operating revenues	<u>68,000</u>	<u>59,686</u>	<u>(8,314)</u>
Total revenues	<u>5,179,800</u>	<u>5,219,058</u>	<u>39,258</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	733,456	694,077	39,379
Operations	859,742	651,405	208,337
Maintenance and repairs	209,627	118,488	91,139
Treatment plant	1,611,875	1,424,321	187,554
Capital outlay	578,835	393,707	185,128
Total costs of sales and services	<u>3,993,535</u>	<u>3,281,998</u>	<u>711,537</u>
Debt service:			
Principal retirement	1,383,572	1,321,392	62,180
Interest	498,292	560,251	(61,959)
Total debt service	<u>1,881,864</u>	<u>1,881,643</u>	<u>221</u>
Total operating expenditures	<u>5,875,399</u>	<u>5,163,641</u>	<u>711,758</u>
Revenue over (under) expenditures	<u>(695,599)</u>	<u>55,417</u>	<u>751,016</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	425,364	425,364	-
Intrafund transfers	(774,592)	(774,592)	-
Long-term debt issued	250,000	250,000	-
Appropriated fund balance	794,827	-	(794,827)
Total other financing sources (uses)	<u>695,599</u>	<u>(99,228)</u>	<u>(794,827)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(43,811)</u>	<u>\$ (43,811)</u>

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

## Reconciling items:

Debt principal	1,321,392
Long-term debt issued	(250,000)
Capital outlay	393,707
Change in compensated absences	(6,108)
Change in other post-employment benefits	(1,758)
Change in deferred outflows of resources - OPEB	(1,893)
Change in deferred inflows of resources - OPEB	(13,386)
Change in net pension liability	(101,704)
Change in deferred outflows of resources - pension	85,421
Change in deferred inflows of resources - pension	2,574
Payment on notes receivable	(26,150)
Depreciation	(896,455)
Amortization	(17,325)
Water Capital Projects Fund activity	6,745,730
Water Capital Projects Fund intrafund transfer	<u>768,566</u>
Total reconciling items	<u>8,002,611</u>
Change in net position	<u>\$ 7,958,800</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, 2019

	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
Project #834 - Farmville Road Water Project	8,250,000	1,127,810	6,705,789	7,833,599
Project #822 - Eastside Water Tank	-	5,867	-	5,867
Investment earnings	-	80,574	39,941	120,515
Total revenues	<u>8,816,220</u>	<u>1,679,172</u>	<u>6,745,730</u>	<u>8,424,902</u>
<b>Expenditures:</b>				
Project #822 - Eastside Water Tank	2,607,000	2,285,726	-	2,285,726
Project #829 - Plato Lee Water Line Relocation	358,731	258,739	-	258,739
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	97,330	-	97,330
Project #833 - Grover-Morgan Waterline Project	3,527,101	3,261,611	115,640	3,377,251
Project #834 - Farmville Road Water Project	12,480,000	2,757,207	8,569,303	11,326,510
Project #835 - Uptown Water Improvements	220,000	186,279	-	186,279
Project #836 - Water Treatment Plant Upgrade	13,824,676	701,628	5,933,110	6,634,738
Project #837 - Metcalf & Fallston Relocate	176,176	-	-	-
Project #838 - Uptown Water Infrastructure Replacement	2,624,500	1,072,429	1,077,607	2,150,036
Project #839 - Marion Hwy 150	258,456	-	-	-
Project #840 - Joe's Lake Road	47,553	-	-	-
Total expenditures	<u>36,825,413</u>	<u>11,090,387</u>	<u>15,695,660</u>	<u>26,786,047</u>
Revenues over (under) expenditures	<u>(28,009,193)</u>	<u>(9,411,215)</u>	<u>(8,949,930)</u>	<u>(18,361,145)</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	4,369,343	3,988,477	768,566	4,757,043
Long-term debt issued	<u>23,639,850</u>	<u>9,660,000</u>	<u>3,136,394</u>	<u>12,796,394</u>
Total other financing sources (uses)	<u>28,009,193</u>	<u>13,648,477</u>	<u>3,904,960</u>	<u>17,553,437</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,237,262</u>	<u>\$ (5,044,970)</u>	<u>\$ (807,708)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 5,326,000	\$ 5,891,598	\$ 565,598
Other fees	100,000	116,979	16,979
Other operating revenues	52,000	90,619	38,619
Total operating revenue	<u>5,478,000</u>	<u>6,099,196</u>	<u>621,196</u>
Non-operating revenues:			
Grant - refund of interest expense	26,000	23,820	(2,180)
Investment earnings	1,000	439	(561)
Total non-operating revenues	<u>27,000</u>	<u>24,259</u>	<u>(2,741)</u>
Total revenues	<u>5,505,000</u>	<u>6,123,455</u>	<u>618,455</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	853,040	842,730	10,310
Line operation	680,303	665,315	14,988
Maintenance and repairs	365,191	361,015	4,176
Treatment plant	1,830,966	1,789,813	41,153
Capital outlay	436,623	262,606	174,017
Total costs of sales and services	<u>4,166,123</u>	<u>3,921,479</u>	<u>244,644</u>
Debt service:			
Principal retirement	1,669,715	1,538,323	131,392
Interest	333,405	464,764	(131,359)
Total debt service	<u>2,003,120</u>	<u>2,003,087</u>	<u>33</u>
Total operating expenditures	<u>6,169,243</u>	<u>5,924,566</u>	<u>244,677</u>
Revenues over (under) expenditures	<u>(664,243)</u>	<u>198,889</u>	<u>863,132</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	580,060	635,570	55,510
Transfers (to) other funds	(248,284)	(248,284)	-
Long-term debt issued	6,500	6,500	-
Appropriated fund balance	325,967	-	(325,967)
Total other financing sources (uses)	<u>664,243</u>	<u>393,786</u>	<u>(270,457)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>592,675</u>	<u>\$ 592,675</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Long-term debt issued		(6,500)	
Debt principal		1,538,323	
Capital outlay		262,606	
Change in compensated absences		(10,945)	
Change in other post-employment benefits		(2,110)	
Change in deferred outflows of resources - OPEB		36,495	
Change in deferred inflows of resources - OPEB		(20,655)	
Change in net pension liability		(111,284)	
Change in deferred outflows of resources - pension		93,468	
Change in deferred inflows of resources - pension		2,816	
Depreciation		(1,364,786)	
Amortization		(5,487)	
Sewer Capital Projects Fund activity		6,236,853	
Sewer Capital Projects Fund intrafund transfer		186,748	
Total reconciling items		<u>6,835,542</u>	
Change in net position		<u>\$ 7,428,217</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, 2019

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Project #868 - Brushy Creek sewer outfall	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Project #871 - Westside sewer improvements	5,500,000	2,660,821	2,839,179	5,500,000
Project #872 - First Broad WWTP influent project	4,500,000	666,100	3,333,900	4,000,000
Project #874 - Sewer Asset Inventory & Assessment	150,000	150,000	(7,500)	142,500
Investment earnings	-	106,926	71,274	178,200
Total revenues	<u>10,400,000</u>	<u>3,833,847</u>	<u>6,236,853</u>	<u>10,070,700</u>
<b>Expenditures:</b>				
Project #861 - Artee Sewer Line Extension Project	206,000	176,010	-	176,010
Project #865 - First Broad Wastewater Treatment Plant improvements	10,200,000	9,729,955	-	9,729,955
Project #866 - Wastewater outfall line improvements	3,488,640	3,200,020	-	3,200,020
Project #868 - Brushy Creek sewer outfall	500,000	414,210	-	414,210
Project #869 - Compost facility improvements	6,301,708	808,065	1,912,920	2,720,985
Project #870 - Huesker Sewer Extension	37,800	27,181	-	27,181
Project #871 - Westside sewer improvements	8,700,000	3,818,661	3,049,992	6,868,653
Project #872 - First Broad WWTP influent project	7,000,000	1,514,758	5,264,821	6,779,579
Project #873 - Fallston Road sewer relocation	358,556	-	-	-
Project #874 - Sewer Asset Inventory & Assessment	152,250	152,250	-	152,250
Project #875 - Uptown Sewer Infrastructure Replacement	1,455,000	601,501	598,497	1,199,998
Project #876 - Marion/Hwy 150	13,010	-	-	-
Project #877 - Joe's Lake Road	42,500	-	-	-
Total expenditures	<u>38,455,464</u>	<u>20,442,611</u>	<u>10,826,230</u>	<u>31,268,841</u>
Revenues over (under) expenditures	<u>(28,055,464)</u>	<u>(16,608,764)</u>	<u>(4,589,377)</u>	<u>(21,198,141)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	305,510	516,640	55,510	572,150
Intrafund transfers to (from) other funds	2,212,554	2,113,606	186,748	2,300,354
Long-term debt issued	25,537,400	18,227,098	-	18,227,098
Total other financing sources (uses)	<u>28,055,464</u>	<u>20,857,344</u>	<u>242,258</u>	<u>21,099,602</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 4,248,580</u>	<u>\$ (4,347,119)</u>	<u>\$ (98,539)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 21,658,000	\$ 22,870,895	\$ 1,212,895
Other operating revenues	<u>236,000</u>	<u>968,915</u>	<u>732,915</u>
Total operating revenue	<u>21,894,000</u>	<u>23,839,810</u>	<u>1,945,810</u>
<b>Non-Operating Revenues:</b>			
Investment earnings	<u>7,000</u>	<u>22,379</u>	<u>15,379</u>
Total non-operating revenues	<u>7,000</u>	<u>22,379</u>	<u>15,379</u>
Total revenues	<u>21,901,000</u>	<u>23,862,189</u>	<u>1,961,189</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	1,145,175	1,144,484	691
Line operation	18,642,993	17,595,162	1,047,831
Capital outlay	<u>868,228</u>	<u>414,454</u>	<u>453,774</u>
Total costs of sales and services	<u>20,656,396</u>	<u>19,154,100</u>	<u>1,502,296</u>
Debt service:			
Principal repayment	283,500	283,047	453
Interest and fees	<u>75,000</u>	<u>73,582</u>	<u>1,418</u>
Total debt service	<u>358,500</u>	<u>356,629</u>	<u>1,871</u>
Total expenditures	<u>21,014,896</u>	<u>19,510,729</u>	<u>1,504,167</u>
Revenues over (under) expenditures	<u>886,104</u>	<u>4,351,460</u>	<u>3,465,356</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(4,651,576)	(4,651,576)	-
Intrafund transfers	(719,820)	(719,820)	-
Long-term debt issued	41,000	41,000	-
Appropriated fund balance	<u>4,444,292</u>	<u>-</u>	<u>(4,444,292)</u>
Total other financing sources (uses)	<u>(886,104)</u>	<u>(5,330,396)</u>	<u>(4,444,292)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	(978,936)	\$ (978,936)
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Debt principal		283,047	
Long-term debt issued		(41,000)	
Capital outlay		414,454	
Change in compensated absences		(5,539)	
Change in other post-employment benefits		(1,759)	
Change in deferred outflows of resources - OPEB		(31,581)	
Change in deferred inflows of resources - OPEB		(15,397)	
Change in net pension liability		(96,913)	
Change in deferred outflows of resources - pension		81,397	
Change in deferred inflows of resources - pension		2,453	
Depreciation		(604,726)	
Amortization		(14,100)	
Electric Capital Projects Fund activity		20,731	
Electric Capital Projects Fund intrafund transfer		<u>719,820</u>	
Total reconciling items		<u>710,887</u>	
Change in net position		<u>\$ (268,049)</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, 2019

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Project #860 - NC DOT Grant	\$ 39,100	\$ -	\$ -	\$ -
Investment earnings	-	128,890	20,731	149,621
Total revenues	39,100	128,890	20,731	149,621
<b>Expenditures:</b>				
Project #860 - Dekalb Street	39,100	-	-	-
Project #865 - Artee Road electric line relocation	114,000	3,285	-	3,285
Project #867 - Court Square Infrastructure	160,000	155,740	-	155,740
Project #868 - Hanna Park Electric Line Extension	403,000	402,243	-	402,243
Project #869 - Uptown electric utility upgrade project	1,354,000	1,269,049	56,256	1,325,305
Project #870 - Substation 11 Additional Circuit	180,000	53,791	42,868	96,659
Project #871 - Joe's Lake Road Electric Relocation	134,294	2,072	63,332	65,404
Project #872 - Scada System Upgrade Project	96,000	7,243	20,083	27,326
Project #873 - Marion/Peach/Cherryville Project	75,315	-	38,018	38,018
Project #874 - Electric Circuit 104	122,585	-	13,528	13,528
Project #875 - WTP Electric Line Construction	421,200	-	2,521	2,521
Total expenditures	3,099,494	1,893,423	236,606	2,130,029
Revenues over (under) expenditures	(3,060,394)	(1,764,533)	(215,875)	(1,980,408)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,060,394	2,500,574	719,820	3,220,394
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 736,041	\$ 503,945	\$ 1,239,986

## 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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 16,069,000	\$ 18,055,137	\$ 1,986,137
Other fees	30,000	39,611	9,611
Other operating revenues	70,000	85,657	15,657
Total operating revenue	<u>16,169,000</u>	<u>18,180,405</u>	<u>2,011,405</u>
Non-operating revenues:			
Grant - refund of interest expense	4,600	6,760	2,160
Investment earnings	6,000	26,810	20,810
Total non-operating revenues	<u>10,600</u>	<u>33,570</u>	<u>22,970</u>
Total revenues	<u>16,179,600</u>	<u>18,213,975</u>	<u>2,034,375</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	1,430,678	1,365,213	65,465
Line operation	11,467,014	11,348,642	118,372
Capital outlay	895,544	781,934	113,610
Total costs of sales and services	<u>13,793,236</u>	<u>13,495,789</u>	<u>297,447</u>
Debt service:			
Principal repayment	319,560	313,830	5,730
Interest and fees	105,910	111,606	(5,696)
Total debt service	<u>425,470</u>	<u>425,436</u>	<u>34</u>
Total expenditures	<u>14,218,706</u>	<u>13,921,225</u>	<u>297,481</u>
Revenues over (under) expenditures	<u>1,960,894</u>	<u>4,292,750</u>	<u>2,331,856</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	120,470	120,470	-
Transfers to other funds	(3,087,349)	(3,087,349)	-
Intrafund transfers	(853,900)	(853,900)	-
Long-term debt issued	35,000	35,000	-
Appropriated fund balance	<u>1,824,885</u>	<u>-</u>	<u>(1,824,885)</u>
Total other financing sources (uses)	<u>(1,960,894)</u>	<u>(3,785,779)</u>	<u>(1,824,885)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>506,971</u>	<u>\$ 506,971</u>

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

Debt principal	313,830
Long-term debt issued	(35,000)
Capital outlay	781,934
Change in compensated absences	(87)
Change in other post-employment benefits	(1,759)
Change in deferred outflows of resources - OPEB	(16,722)
Change in deferred inflows of resources - OPEB	(15,073)
Change in net pension liability	(97,650)
Change in deferred outflows of resources - pension	82,016
Change in deferred inflows of resources - pension	2,471
Depreciation	(657,628)
Amortization	(4,651)
Gas Capital Project Fund revenues	324,538
Gas Capital Project Fund interest	26,659
Gas Capital Project Fund intrafund transfer	<u>853,900</u>
Total reconciling items	<u>1,556,778</u>
Change in net position	<u>\$ 2,063,749</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, 2019

	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
Project #883 - Farmville Road Gas Line Loop	500,000	175,462	324,538	500,000
Investment earnings	-	93,274	26,659	119,933
Total revenues	<u>992,500</u>	<u>530,474</u>	<u>351,197</u>	<u>881,671</u>
<b>Expenditures:</b>				
Project #878 - Plato Lee gas line relocation	138,045	107,947	-	107,947
Project #879 - Artee/Washburn Road gas line relocation	492,500	266,982	-	266,982
Project #880 - NC226 Polkville Road gas line relocation	241,000	235,835	-	235,835
Project #881 - R2707AA US 74 gas line relocation	337,510	204,474	-	204,474
Project #882 - Highway 74 bypass section "C" gas line relocation	831,564	389,356	150,007	539,363
Project #885 - Highway 74 bypass sections "D" and "E" gas line relocation	175,000	-	90,561	90,561
Project #886 - Marion/Peach/Cherryville gas line relocation	483,024	-	72,573	72,573
Project #883 - Farmville Road Gas Line Loop	4,089,357	1,867,311	595,296	2,462,607
Project #884 - Joe's Lake Road Gas Line Relocation	252,126	19,500	216,288	235,788
Total expenditures	<u>7,040,126</u>	<u>3,091,405</u>	<u>1,124,725</u>	<u>4,216,130</u>
Revenues over (under) expenditures	<u>(6,047,626)</u>	<u>(2,560,931)</u>	<u>(773,528)</u>	<u>(3,334,459)</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	2,646,769	1,792,869	853,900	2,646,769
Long-term debt issued	3,378,957	1,184,000	-	1,184,000
Appropriated fund balance	21,900	-	-	-
Total other financing sources (uses)	<u>6,047,626</u>	<u>2,976,869</u>	<u>853,900</u>	<u>3,830,769</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 415,938</u>	<u>\$ 80,372</u>	<u>\$ 496,310</u>

## CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2019

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 243,726	\$ 1,953,443	\$ 2,197,169
Accounts receivable, net	114,069	257,830	371,899
Due from other governments	4,381	44,150	48,531
Inventories	8,281	-	8,281
Prepaid items	6,506	11,056	17,562
Total current assets	<u>376,963</u>	<u>2,266,479</u>	<u>2,643,442</u>
Non-current assets:			
Restricted cash and cash equivalents	-	40,862	40,862
Capital assets, non-depreciable	-	283,024	283,024
Capital assets, net	246,791	4,801,478	5,048,269
Total non-current assets	<u>246,791</u>	<u>5,125,364</u>	<u>5,372,155</u>
Total assets	<u>623,754</u>	<u>7,391,843</u>	<u>8,015,597</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	17,497	17,497
Pension deferrals	-	86,705	86,705
Total deferred outflows of resources	<u>-</u>	<u>104,202</u>	<u>104,202</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	15,906	18,318	34,224
Compensated absences payable	2,205	8,139	10,344
Current portion of long-term debt	56,010	-	56,010
Liabilities payable from restricted assets:			
Customer deposits	-	40,862	40,862
Total current liabilities	<u>74,121</u>	<u>67,319</u>	<u>141,440</u>
Non-current liabilities:			
Compensated absences payable	6,616	24,418	31,034
Other long-term debt	93,401	-	93,401
Net pension liability	-	111,085	111,085
Other post-employment benefits	-	361,815	361,815
Total non-current liabilities	<u>100,017</u>	<u>497,318</u>	<u>597,335</u>
Total liabilities	<u>174,138</u>	<u>564,637</u>	<u>738,775</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	22,630	22,630
Pension deferrals	-	2,159	2,159
Total deferred inflows of resources	<u>-</u>	<u>24,789</u>	<u>24,789</u>
<b>Net Position:</b>			
Net investment in capital assets	97,380	5,084,502	5,181,882
Unrestricted	<u>352,236</u>	<u>1,822,117</u>	<u>2,174,353</u>
Total net position	<u>\$ 449,616</u>	<u>\$ 6,906,619</u>	<u>\$ 7,356,235</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, 2019

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Nonmajor Funds</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 836,977	\$ 652,264	\$ 1,489,241
Other fees	11,024	-	11,024
Other operating revenues	-	2,688	2,688
Total operating revenues	<u>848,001</u>	<u>654,952</u>	<u>1,502,953</u>
<b>Operating Expenses:</b>			
Administration	655,153	398,412	1,053,565
Operations and maintenance	-	713,826	713,826
Depreciation and amortization	81,307	222,917	304,224
Total operating expenses	<u>736,460</u>	<u>1,335,155</u>	<u>2,071,615</u>
Operating income (loss)	<u>111,541</u>	<u>(680,203)</u>	<u>(568,662)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Operating grants	-	435,619	435,619
Investment earnings	232	12,339	12,571
Interest expense and fiscal charges	<u>(875)</u>	<u>-</u>	<u>(875)</u>
Total non-operating revenues (expenses)	<u>(643)</u>	<u>447,958</u>	<u>447,315</u>
Income (loss) before capital contributions	110,898	(232,245)	(121,347)
Capital contributions	<u>-</u>	<u>255,250</u>	<u>255,250</u>
Change in net position	110,898	23,005	133,903
<b>Net Position:</b>			
Beginning year - July 1	<u>338,718</u>	<u>6,883,614</u>	<u>7,222,332</u>
End of year - June 30	<u>\$ 449,616</u>	<u>\$ 6,906,619</u>	<u>\$ 7,356,235</u>



CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Nonmajor Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 842,501	\$ 412,614	\$ 1,255,115
Cash paid for goods and services	(700,493)	(718,639)	(1,419,132)
Cash paid to employees	-	(402,005)	(402,005)
Net cash provided (used) by operating activities	<u>142,008</u>	<u>(708,030)</u>	<u>(566,022)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Proceeds from operating grants	-	435,619	435,619
Increase (decrease) in due from other funds	314	(28,623)	(28,309)
Net cash provided (used) by non-capital financing activities	<u>314</u>	<u>406,996</u>	<u>407,310</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(68,472)	(446,908)	(515,380)
Capital contributions - grants	-	255,250	255,250
Proceeds from issuance of long-term debt	18,000	-	18,000
Principal paid on long-term debt	(51,686)	-	(51,686)
Interest paid on long-term debt	(875)	-	(875)
Net cash provided (used) for capital and related financing activities	<u>(103,033)</u>	<u>(191,658)</u>	<u>(294,691)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest received from investments	<u>232</u>	<u>12,339</u>	<u>12,571</u>
Net increase (decrease) in cash and cash equivalents	39,521	(480,353)	(440,832)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>204,205</u>	<u>2,474,658</u>	<u>2,678,863</u>
End of year - June 30	<u>\$ 243,726</u>	<u>\$ 1,994,305</u>	<u>\$ 2,238,031</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Nonmajor Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 111,541	\$ (680,203)	\$ (568,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	81,307	222,917	304,224
Pension expense			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,500)	(243,700)	(249,200)
(Increase) decrease in inventories	705	-	705
(Increase) decrease in prepaids	(415)	(778)	(1,193)
Increase (decrease) in accounts payable and accrued liabilities	(44,900)	(4,035)	(48,935)
Increase (decrease) in customer deposits	-	1,362	1,362
Increase (decrease) in compensated absences	(730)	1,520	790
(Increase) decrease in deferred outflows of resources for pensions	-	(32,961)	(32,961)
Increase (decrease) in net pension liability	-	39,244	39,244
Increase (decrease) in deferred inflows of resources for pensions	-	(993)	(993)
(Increase) decrease in deferred outflows of resources -OPEB	-	(17,098)	(17,098)
Increase (decrease) in deferred inflows of resources - OPEB	-	5,992	5,992
Increase (decrease) in other post-employment benefits	-	703	703
	<u>142,008</u>	<u>(708,030)</u>	<u>(566,022)</u>
Net cash provided (used) by operating activities	<u>\$ 142,008</u>	<u>\$ (708,030)</u>	<u>\$ (566,022)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 785,100	\$ 836,977	\$ 51,877
Other fees	<u>500</u>	<u>11,024</u>	<u>10,524</u>
Total operating revenues	<u>785,600</u>	<u>848,001</u>	<u>62,401</u>
Non-operating revenues:			
Investment earnings	<u>-</u>	<u>232</u>	<u>232</u>
Total revenues	<u>785,600</u>	<u>848,233</u>	<u>62,633</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	810,911	655,883	155,028
Capital outlay	<u>68,704</u>	<u>68,472</u>	<u>232</u>
Total costs of sales and services	<u>879,615</u>	<u>724,355</u>	<u>155,260</u>
Debt service:			
Principal repayment	51,500	51,686	(186)
Interest and fees	<u>3,500</u>	<u>875</u>	<u>2,625</u>
Total debt service	<u>55,000</u>	<u>52,561</u>	<u>2,439</u>
Total expenditures	<u>934,615</u>	<u>776,916</u>	<u>157,699</u>
Revenues over (under) expenditures	<u>(149,015)</u>	<u>71,317</u>	<u>220,332</u>
<b>Other Financing Sources (Uses):</b>			
Long-term debt issued	18,000	18,000	-
Appropriated fund balance	<u>131,015</u>	<u>-</u>	<u>(131,015)</u>
Total other financing sources (uses)	<u>149,015</u>	<u>18,000</u>	<u>(131,015)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	89,317	\$ 89,317

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

Debt principal	51,686
Long-term debt issued	(18,000)
Capital outlay	68,472
(Increase) decrease in compensated absences	730
Depreciation and amortization	<u>(81,307)</u>
Total reconciling items	<u>21,581</u>
Change in net position	<u>\$ 110,898</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 627,100	\$ 652,264	\$ 25,164
Other operating revenues	-	2,688	2,688
Total operating revenues	<u>627,100</u>	<u>654,952</u>	<u>27,852</u>
Non-operating revenues:			
Operating and capital grants	739,416	690,869	(48,547)
Investment earnings	1,000	12,339	11,339
Total non-operating revenues	<u>740,416</u>	<u>703,208</u>	<u>(37,208)</u>
Total revenues	<u>1,367,516</u>	<u>1,358,160</u>	<u>(9,356)</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	409,400	396,892	12,508
Operating and maintenance	806,609	718,939	87,670
Capital outlay	346,730	446,908	(100,178)
Total costs of sales and services	<u>1,562,739</u>	<u>1,562,739</u>	<u>-</u>
Total expenditures	<u>1,562,739</u>	<u>1,562,739</u>	<u>-</u>
Revenues over (under) expenditures	(195,223)	(204,579)	(9,356)
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>195,223</u>	<u>-</u>	<u>(195,223)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(204,579)</u>	<u>\$ (204,579)</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Capital outlay		446,908	
Change in compensated absences		(1,520)	
Change in deferred outflows of resources - OPEB		17,098	
Change in deferred inflows of resources - OPEB		(5,992)	
Change in other post-employment benefits		(703)	
Change in net pension liability		(39,244)	
Change in deferred outflows of resources - pension		32,961	
Change in deferred inflows of resources - pension		993	
Depreciation		<u>(222,917)</u>	
Total reconciling items		<u>227,584</u>	
Change in net position		<u>\$ 23,005</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, 2019

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Expenditures:</b>				
Logan Street Land	\$ 44,500	\$ 43,762	\$ -	\$ 43,762
Construction	<u>195,250</u>	<u>124,944</u>	<u>-</u>	<u>124,944</u>
Total expenditures	<u>239,750</u>	<u>168,706</u>	<u>-</u>	<u>168,706</u>
Revenues over (under) expenditures	(239,750)	(168,706)	-	(168,706)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	<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>\$ 71,044</u>	<u>\$ -</u>	<u>\$ 71,044</u>



## **OTHER SUPPLEMENTAL INFORMATION**

This section contains additional information on 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, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 10,946,067	\$ 10,743,198	202,869
2017-2018	142,475	-	81,466	61,009
2016-2017	67,380	-	28,240	39,140
2015-2016	33,000	-	7,465	25,535
2014-2015	25,973	-	4,957	21,016
2013-2014	32,088	-	4,287	27,801
2012-2013	26,558	-	2,001	24,557
2011-2012	16,403	-	1,016	15,387
2010-2011	16,164	-	297	15,867
2009-2010	18,087	-	513	17,574
2008-2009	14,228	-	14,228	-
Total	<u>\$ 392,356</u>	<u>\$ 10,946,067</u>	<u>\$ 10,887,668</u>	450,755
Less: allowance for uncollectible ad valorem taxes receivable				<u>(168,000)</u>
Ad valorem taxes receivable, net				<u>\$ 282,755</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund			\$ 10,734,200	
Ad valorem taxes - Special Revenue Fund			113,615	
Interest and penalties collected			(40,099)	
Discounts allowed			27,579	
Miscellaneous adjustments			38,145	
Arrears written off for tax year 2008-2009 per Statute of Limitations			<u>14,228</u>	
Total collections and credits			<u>\$ 10,887,668</u>	

\*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, 2019

	<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	\$ 1,979,491,483	\$ 0.5225	\$ 10,342,843	\$ 9,581,826	\$ 761,017
Municipal service district taxed at current year's rate	<u>46,015,146</u>	0.7725	<u>355,467</u>	<u>340,366</u>	<u>15,101</u>
Total original levy	<u>2,025,506,629</u>		<u>10,698,310</u>	<u>9,922,192</u>	<u>776,118</u>
<b>Discoveries:</b>					
Property taxed at current year's rate	68,354,450	0.5225	357,152	357,152	-
Municipal service district taxed at current year's rate	<u>41,553</u>	0.7725	<u>321</u>	<u>321</u>	<u>-</u>
Total discoveries	<u>68,396,003</u>		<u>357,473</u>	<u>357,473</u>	<u>-</u>
<b>Releases:</b>					
Property taxed at current year's rate	20,945,837	0.5225	109,442	109,442	-
Municipal service district taxed at current year's rate	<u>35,469</u>	0.7725	<u>274</u>	<u>274</u>	<u>-</u>
Total abatements	<u>20,981,306</u>		<u>109,716</u>	<u>109,716</u>	<u>-</u>
Total property valuation	<u>\$ 2,072,921,325</u>				
<b>Net Levy</b>			10,946,067	10,169,949	776,118
Uncollected taxes at June 30, 2019			<u>202,869</u>	<u>202,869</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,743,198</u>	<u>\$ 9,967,080</u>	<u>\$ 776,118</u>
<b>Current Levy Collection Percentage</b>			<u>98.15%</u>	<u>98.01%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>98.63%</u>	<u>98.53%</u>	<u>100.00%</u>

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 1,979,491,483	\$ 0.5225	\$ 10,342,843	\$ 9,581,826	\$ 761,017
<b>Discoveries:</b>					
Property taxed at current year's rate	68,354,450	0.5225	357,152	357,152	-
<b>Releases:</b>					
Property taxed at current year's rate	<u>20,945,837</u>	0.5225	<u>109,442</u>	<u>109,442</u>	<u>-</u>
Total property valuation	<u>\$ 2,026,900,096</u>				
<b>Net Levy</b>			10,590,553	9,829,536	761,017
Uncollected taxes at June 30, 2019			<u>196,396</u>	<u>196,396</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,394,157</u>	<u>\$ 9,633,140</u>	<u>\$ 761,017</u>
<b>Current Levy Collection Percentage</b>			<u>98.15%</u>	<u>98.00%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>98.63%</u>	<u>98.53%</u>	<u>100.00%</u>

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
MUNICIPAL SERVICE DISTRICT LEVY  
FOR THE YEAR ENDED JUNE 30, 2019

	Municipal Service District			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	\$ 46,015,146	\$ 0.7725	\$ 355,467	\$ 340,366	\$ 15,101
<b>Discoveries:</b>					
Property taxed at current year's rate	41,553	0.7725	321	321	-
<b>Releases:</b>					
Property taxed at current year's rate	<u>35,469</u>	0.7725	<u>274</u>	<u>274</u>	<u>-</u>
Total property valuation	<u>\$ 46,021,230</u>				
<b>Net Levy</b>			355,514	340,413	15,101
Uncollected taxes at June 30, 2019			<u>6,473</u>	<u>6,473</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 349,041</u>	<u>\$ 333,940</u>	<u>\$ 15,101</u>
<b>Current Levy Collection Percentage</b>			<u>98.18%</u>	<u>98.10%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>98.56%</u>	<u>98.51%</u>	<u>100.00%</u>

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2019

Line Item #	Account Description	Low Rent 14,850	CFP 14,872	Total
	<b>Assets:</b>			
	Current assets:			
	Cash:			
114	Cash - tenant security deposits	\$ 40,862	\$ -	\$ 40,862
	Accounts and notes receivables:			
124	Accounts receivable - other governments	260,361	-	260,361
126	Accounts receivable - tenant - dwelling rents	41,592	-	41,592
129	Accrued interest receivable	27	-	27
120	Total receivables, net allowances for uncollectibles	301,980	-	301,980
131	Investments - unrestricted	1,953,442	-	1,953,442
142	Prepaid expenses and other assets	11,056	-	11,056
150	Total current assets	2,307,340	-	2,307,340
	Non-current assets:			
	Fixed assets:			
161	Land	283,024	-	283,024
162	Buildings	10,497,180	255,250	10,752,430
163	Furniture, equipment, and machinery - dwellings	358,951	-	358,951
166	Accumulated depreciation	(6,309,902)	-	(6,309,902)
160	Total fixed assets, net of accumulated depreciation	4,829,253	255,250	5,084,503
180	Total non-current assets	4,829,253	255,250	5,084,503
190	Total assets	7,136,593	255,250	7,391,843
	<b>Deferred Outflows of Resources:</b>			
	Contributions to pension plan in current fiscal year	39,097	-	39,097
	Pension deferrals	65,105	-	65,105
200	Total deferred outflows of resources	104,202	-	104,202
290	Total assets and deferred outflows of resources	\$ 7,240,795	\$ 255,250	\$ 7,496,045
	<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>			
	Liabilities:			
	Current liabilities:			
312	Accounts payable < 90 days	\$ 4,488	\$ -	\$ 4,488
321	Accrued wages/payroll taxes payable	13,829	-	13,829
322	Accrued compensated absences	8,139	-	8,139
341	Tenant security deposits	40,862	-	40,862
310	Total current liabilities	67,318	-	67,318
	Non-current liabilities:			
354	Accrued compensated absences - non-current	24,419	-	24,419
	Other post-employment benefit & pension liabilities	472,900	-	472,900
350	Total non-current liabilities	497,319	-	497,319
300	Total liabilities	564,637	-	564,637
	<b>Deferred Inflows of Resources:</b>			
400	Pension deferrals	24,789	-	24,789
	<b>Net Position:</b>			
508.1	Net investment in capital assets	4,829,253	255,250	5,084,503
512.1	Unrestricted net position	1,822,116	-	1,822,116
513	Total net position	6,651,369	255,250	6,906,619
600	Total liabilities, deferred inflows of resources, and net position	\$ 7,240,795	\$ 255,250	\$ 7,496,045

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
<b>Revenue:</b>				
703	Net tenant rental revenue	\$ 652,220	\$ -	\$ 652,220
704	Tenant revenue - other	44	-	44
705	Total tenant revenue	652,264	-	652,264
706	HUD PHA operating grants	435,619	-	435,619
706.1	HUD PHA capital grants	-	255,250	255,250
711	Investment income - unrestricted	12,339	-	12,339
715	Other revenues	2,688	-	2,688
700	Total revenues	1,102,910	255,250	1,358,160
<b>Expenses:</b>				
Administrative:				
911	Administrative salaries	268,833	-	268,833
912	Audit services	7,224	-	7,224
915	Employee benefit contributions - administrative	165,365	-	165,365
Tenant services:				
924	Tenant services - other	3,192	-	3,192
Utilities:				
931	Water	130,000	-	130,000
932	Electricity	138,391	-	138,391
933	Gas	126,121	-	126,121
942	Ordinary maintenance and operation - materials and other	101,294	-	101,294
943	Ordinary maintenance and operation - contract costs	45,261	-	45,261
General expenses:				
961	Insurance premiums	59,212	-	59,212
962	Other general expenses	7,654	-	7,654
962.1	Compensated absences	32,558	-	32,558
963	Payments in lieu of taxes	17,760	-	17,760
964	Bad debt - tenant rents	2,987	-	2,987
969	Total operating expenses	1,105,852	-	1,105,852
970	Excess operating revenue over operating expenses	(2,942)	255,250	252,308
971	Extraordinary maintenance	6,386	-	6,386
974	Depreciation expense	222,917	-	222,917
900	Total expenses	1,335,155	-	1,335,155
1000	Excess (deficiency) of revenue over expenses	\$ (232,245)	\$ 255,250	\$ 23,005
MEMO Account Information:				
1103	Beginning equity	\$ 6,635,615	\$ 247,999	\$ 6,883,614
1104	Prior period adjustments, equity transfers and corrections of errors	247,999	(247,999)	-
1120	Unit months available	2,064	-	2,064
1121	Number of unit months leased	2,060	-	2,060

**CITY OF SHELBY, NORTH CAROLINA**

**STATEMENT OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Program Name</u>	<u>CFDA #</u>	<u>Funds Approved</u>	<u>Funds Advanced</u>			<u>Funds Expended</u>			<u>Excess (Deficiency)</u>	
			<u>Ending Balance</u>	<u>Prior Audit</u>	<u>Current Year</u>	<u>Ending Balance</u>	<u>Prior Audit</u>	<u>Current Year</u>	<u>Funds Approved</u>	<u>Funds Advanced</u>
Capital Fund Program (CFP) NC19PO34501-17	14.872	\$ 272,416	\$ 257,803	\$ 5,007	\$ 252,796	\$ 257,803	\$ 5,007	\$ 252,796	\$ 14,613	\$ -
Capital Fund Program (CFP) NC19PO34501-16	14.872	\$ 258,926	\$ 258,926	\$ 256,472	\$ 2,454	\$ 258,926	\$ 256,472	\$ 2,454	\$ -	\$ -







## 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 127-132)

*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 133-137)

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

### Debt Capacity (Page 138-143)

*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 144-146)

*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 147-148)

*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.



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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 29,009	\$ 32,852	\$ 30,598	\$ 31,063	\$ 33,394	\$ 34,486	\$ 37,344	\$ 36,664	\$ 38,492	\$ 47,196
Restricted	1,571	5,639	4,687	5,882	5,077	5,448	5,566	4,325	5,426	5,564
Unrestricted	4,906	(1,565)	1,360	2,207	1,015	916	82	(231)	(9,528)	(9,548)
Total governmental activities net position	\$ 35,486	\$ 36,926	\$ 36,645	\$ 39,152	\$ 39,486	\$ 40,850	\$ 42,992	\$ 40,758	\$ 34,390	\$ 43,212
<b>Business-Type Activities</b>										
Net investment in capital assets	\$ 53,425	\$ 60,461	\$ 63,276	\$ 65,346	\$ 68,475	\$ 72,259	\$ 75,472	\$ 80,074	\$ 91,821	\$ 108,941
Unrestricted	24,731	22,245	22,427	23,260	25,549	21,387	20,638	19,004	12,384	12,581
Total business-type activities net position	\$ 78,156	\$ 82,706	\$ 85,703	\$ 88,606	\$ 94,024	\$ 93,646	\$ 96,110	\$ 99,078	\$ 104,205	\$ 121,522
<b>Primary Government</b>										
Net investment in capital assets	\$ 82,434	\$ 93,313	\$ 93,874	\$ 96,409	\$ 101,869	\$ 106,745	\$ 112,816	\$ 116,738	\$ 130,313	\$ 156,137
Restricted	1,571	5,639	4,687	5,882	5,077	5,448	5,566	4,325	5,426	5,564
Unrestricted	29,637	20,680	23,787	25,467	26,564	22,303	20,638	18,773	2,856	3,033
Total primary government net position	\$ 113,642	\$ 119,632	\$ 122,348	\$ 127,758	\$ 133,510	\$ 134,496	\$ 139,020	\$ 139,836	\$ 138,595	\$ 164,734

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,312	\$ 3,258	\$ 2,344	\$ 1,492	\$ 2,584	\$ 2,605	\$ 2,335	\$ 3,041	\$ 3,151	\$ 2,717
Public safety	9,669	9,701	10,054	9,402	10,101	10,075	10,467	11,631	11,246	13,143
Transportation	2,532	2,481	2,638	3,960	3,193	3,101	3,349	2,891	3,040	5,977
Environmental protection	1,444	1,479	1,876	1,570	1,700	1,640	1,502	1,707	2,084	1,955
Cultural and recreational	1,967	939	2,151	2,106	2,354	2,295	2,471	2,590	2,534	13
Housing and redevelopment	209	267	321	222	1,133	997	2,891	1,151	1,804	1,199
Interest on long-term debt	95	73	68	79	41	12	57	96	252	240
Total governmental activities expenses	<u>18,228</u>	<u>18,198</u>	<u>19,452</u>	<u>18,831</u>	<u>21,106</u>	<u>20,725</u>	<u>23,072</u>	<u>23,107</u>	<u>24,111</u>	<u>25,244</u>
Business-type activities:										
Water	3,321	3,693	3,761	3,851	3,932	3,896	4,097	4,334	4,357	4,399
Sewer	3,407	3,687	3,716	3,936	4,441	4,257	4,359	4,448	4,724	5,506
Electric	16,999	17,888	18,519	19,168	19,892	21,974	20,608	21,272	20,922	19,499
Gas	12,806	11,453	8,408	10,294	14,512	14,717	10,827	11,543	12,921	13,535
Stormwater	-	-	-	-	-	294	726	833	938	737
Housing assistance	1,083	1,163	1,138	1,195	1,207	1,221	1,256	1,470	1,321	1,335
Total business-type activities expenses	<u>37,616</u>	<u>37,884</u>	<u>35,542</u>	<u>38,444</u>	<u>43,984</u>	<u>46,359</u>	<u>41,873</u>	<u>43,900</u>	<u>45,183</u>	<u>45,011</u>
Total primary governmental expenses	<u>\$ 55,844</u>	<u>\$ 56,082</u>	<u>\$ 54,994</u>	<u>\$ 57,275</u>	<u>\$ 65,090</u>	<u>\$ 67,084</u>	<u>\$ 64,945</u>	<u>\$ 67,007</u>	<u>\$ 69,294</u>	<u>\$ 70,255</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 4	\$ 365	\$ 441	\$ 406	\$ 377	\$ 402	\$ 3,371	\$ 572	\$ 556	\$ 446
Public safety	265	23	21	27	11	14	23	23	36	29
Transportation	209	261	377	329	346	289	268	228	281	257
Environmental protection	833	863	994	1,154	1,230	1,184	1,142	1,351	1,351	1,673
Cultural and recreational	338	318	294	327	356	302	272	295	297	291
Housing and redevelopment	-	127	141	139	133	-	-	-	-	154
Operating grants and contributions:										
General government	4	55	144	1,075	85	67	55	83	340	45
Public safety	476	1,098	1,048	1,050	1,014	1,143	1,167	1,192	1,197	1,280
Transportation	20	15	20	20	20	20	15	15	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	-	5	-	-	30	-	-	-	-	-
Housing and redevelopment	93	-	-	-	205	318	683	417	222	711

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital grants and contributions:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	112	242	6	32	27	-	-	-	921	-
Transportation	1,664	315	785	435	176	360	437	328	445	4,184
Cultural and recreational	44	456	-	-	-	-	-	1	304	316
Housing and redevelopment	-	-	-	-	1,527	494	229	48	352	149
Total governmental activities program revenues	<u>4,062</u>	<u>4,143</u>	<u>4,271</u>	<u>4,994</u>	<u>5,537</u>	<u>4,593</u>	<u>7,662</u>	<u>4,553</u>	<u>6,302</u>	<u>9,535</u>
Business-type activities:										
Charges for services										
Water	3,318	3,909	3,859	4,260	4,630	4,849	4,722	5,151	4,712	5,133
Sewer	3,983	4,485	4,388	4,926	5,088	5,082	5,230	5,604	5,447	6,099
Electric	17,591	18,659	18,924	20,259	21,468	22,286	21,981	22,641	23,250	23,840
Gas	15,676	14,486	9,555	13,142	18,547	17,591	14,164	14,955	17,252	18,180
Stormwater	-	-	-	-	-	796	736	810	789	848
Housing assistance	577	575	570	582	586	593	623	633	973	655
Operating grants and contributions										
Water	-	105	111	122	91	85	79	72	65	58
Sewer	-	43	46	43	37	35	32	30	27	24
Electric	-	-	-	-	-	-	-	-	-	-
Gas	-	12	13	12	11	10	9	8	8	7
Housing assistance	476	414	258	243	424	462	455	450	466	435
Capital grants and contributions										
Water	-	90	114	-	465	-	-	6	1,128	6,706
Sewer	955	1,589	833	95	624	-	-	-	3,477	6,166
Electric	242	1,036	1,779	34	-	-	-	-	-	-
Gas	-	-	-	-	261	-	-	-	175	324
Housing assistance	227	200	399	295	226	166	260	77	252	255
Total business-type activities program revenues	<u>43,045</u>	<u>45,603</u>	<u>40,849</u>	<u>44,013</u>	<u>52,458</u>	<u>51,955</u>	<u>48,291</u>	<u>50,437</u>	<u>58,021</u>	<u>68,730</u>
Total primary governmental program revenues	<u>\$ 43,045</u>	<u>\$ 45,603</u>	<u>\$ 40,849</u>	<u>\$ 44,013</u>	<u>\$ 52,458</u>	<u>\$ 51,955</u>	<u>\$ 48,291</u>	<u>\$ 50,437</u>	<u>\$ 58,021</u>	<u>\$ 68,730</u>
Net (expense)/revenue										
Governmental activities	\$ (14,166)	\$ (14,055)	\$ (15,181)	\$ (13,837)	\$ (15,569)	\$ (16,130)	\$ (15,409)	\$ (18,554)	\$ (17,809)	\$ (15,709)
Business-type activities	<u>5,429</u>	<u>7,719</u>	<u>5,307</u>	<u>5,569</u>	<u>8,474</u>	<u>5,595</u>	<u>6,417</u>	<u>6,537</u>	<u>12,838</u>	<u>23,719</u>
Total primary governmental net expenses (revenues)	<u>\$ (8,737)</u>	<u>\$ (6,336)</u>	<u>\$ (9,874)</u>	<u>\$ (8,268)</u>	<u>\$ (7,095)</u>	<u>\$ (10,535)</u>	<u>\$ (8,992)</u>	<u>\$ (12,017)</u>	<u>\$ (4,971)</u>	<u>\$ 8,010</u>

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes, levied for general purpose	\$ 7,587	\$ 7,663	\$ 7,719	\$ 7,732	\$ 8,017	\$ 8,316	\$ 8,263	\$ 9,016	\$ 10,366	\$ 10,905
Sales tax	2,669	2,732	2,866	2,862	2,809	2,980	3,061	3,501	3,972	4,542
Franchise tax	1,540	1,582	1,560	1,572	1,586	1,835	2,008	1,930	1,975	2,024
Other taxes	237	95	109	12	90	97	99	104	103	101
Miscellaneous	261	-	-	1,721	-	-	-	-	-	-
Unrestricted investment earnings	173	143	212	(115)	186	143	114	(4)	249	334
Contributions to permanent fund principal	108	-	-	-	-	-	-	-	-	-
Transfers	2,350	3,280	2,434	2,560	3,215	5,584	4,005	-	-	-
<b>Total governmental activities</b>	<b>14,925</b>	<b>15,495</b>	<b>14,900</b>	<b>16,344</b>	<b>15,903</b>	<b>18,954</b>	<b>17,550</b>	<b>14,547</b>	<b>16,665</b>	<b>17,906</b>
Business-type activities										
Unrestricted investment earnings	225	111	123	(106)	159	27	52	(11)	132	222
Miscellaneous	-	-	-	-	-	-	-	-	(1,083)	-
Transfers	(2,350)	(3,280)	(2,434)	(2,560)	(3,215)	(5,584)	(4,005)	-	-	-
<b>Total business-type activities</b>	<b>(2,125)</b>	<b>(3,169)</b>	<b>(2,311)</b>	<b>(2,666)</b>	<b>(3,056)</b>	<b>(5,557)</b>	<b>3,953</b>	<b>(11)</b>	<b>(951)</b>	<b>222</b>
<b>Total primary government</b>	<b>\$ 12,800</b>	<b>\$ 12,326</b>	<b>\$ 12,589</b>	<b>\$ 13,678</b>	<b>\$ 12,847</b>	<b>\$ 13,397</b>	<b>\$ 13,597</b>	<b>\$ 14,536</b>	<b>\$ 15,714</b>	<b>\$ 18,128</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 759	\$ 1,440	\$ (281)	\$ 2,508	\$ 334	\$ 2,824	\$ 2,141	\$ (32)	\$ 2,709	\$ 8,822
Business-type activities	3,304	4,550	2,996	2,903	5,418	38	2,465	2,551	8,032	17,317
<b>Total primary government</b>	<b>\$ 4,063</b>	<b>\$ 5,990</b>	<b>\$ 2,715</b>	<b>\$ 5,411</b>	<b>\$ 5,752</b>	<b>\$ 2,862</b>	<b>\$ 4,606</b>	<b>\$ 2,519</b>	<b>\$ 10,741</b>	<b>\$ 26,139</b>

**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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 5,088	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,987	-	-	-	-	-	-	-	-	-
Non-spendable	-	521	437	436	422	372	434	452	475	477
Restricted	-	6,732	3,955	4,101	4,163	3,813	3,991	3,179	3,385	3,622
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	88	64	465	334	472	351	730	343	604
Unassigned	-	580	3,246	3,020	3,005	4,267	2,859	3,697	5,028	2,897
Total General Fund	<u>\$ 8,075</u>	<u>\$ 7,921</u>	<u>\$ 7,702</u>	<u>\$ 8,022</u>	<u>\$ 7,924</u>	<u>\$ 8,924</u>	<u>\$ 7,636</u>	<u>\$ 8,058</u>	<u>\$ 9,231</u>	<u>\$ 7,600</u>
All other governmental funds										
Reserved	\$ 487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in										
Special Revenue Fund	247	-	-	-	-	-	-	-	-	-
Non-spendable										
Special Revenue Fund	-	-	-	-	-	59	61	12	30	32
Permanent funds	-	522	584	639	712	764	818	879	1,191	1,244
Restricted										
Special Revenue Fund	-	90	745	424	185	191	221	239	289	659
Capital Projects Fund	-	762	122	254	17	669	525 *	7,853	3,503	3,124
Permanent funds	-	-	-	-	-	11	11	15	11	11
Committed										
Capital Projects Fund	-	-	-	-	460	804	199	445	200	216
Assigned										
Special Revenue Fund	-	164	-	1,582	435	416	2,013	1,730	1,923	2,723
Capital Projects Fund	-	-	-	309	-	-	-	-	-	-
Unassigned										
Capital Projects Fund	-	(730)	(272)	-	-	(513)	(666)	-	(622)	(633)
Total all other governmental funds	<u>\$ 734</u>	<u>\$ 808</u>	<u>\$ 1,179</u>	<u>\$ 3,208</u>	<u>\$ 1,809</u>	<u>\$ 2,401</u>	<u>\$ 3,182</u>	<u>\$ 3,320</u>	<u>\$ 6,525</u>	<u>\$ 7,376</u>

\*The substantial increase in "All Other Governmental funds - Restricted" for Capital projects fund is explained in Management's Discussion and Analysis and in the notes to the financial statements.

Note: For a clearer understanding, Fund Balance Reporting and Governmental Fund Balance type definitions can be found in GASB 54.

**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)**

	<b>Fiscal Year Ended June 30</b>									
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Revenues</b>										
Ad valorem taxes	\$ 7,755	\$ 7,686	\$ 7,731	\$ 7,721	\$ 8,020	\$ 8,298	\$ 8,326	\$ 9,015	\$ 10,351	\$ 10,848
Other taxes and licenses	2,682	2,733	2,866	2,863	2,808	2,980	3,061	3,501	3,972	4,542
Unrestricted intergovernmental revenues	1,793	1,837	1,733	1,761	1,741	2,007	2,221	2,149	2,265	2,271
Restricted intergovernmental revenues	2,338	1,933	2,006	2,390	2,746	1,933	2,259	1,737	3,272	4,748
Permits and fees	254	272	174	149	207	232	327	347	267	220
Sales and services	1,396	1,472	1,694	1,822	1,968	1,783	1,698	1,893	1,943	2,243
Investment earnings	173	143	212	(115)	186	143	114	(4)	213	334
Donations	108	47	58	62	74	61	53	61	306	45
Miscellaneous	189	206	260	400	455	500	362	357	327	509
<b>Total revenues</b>	<b>16,688</b>	<b>16,329</b>	<b>16,734</b>	<b>17,053</b>	<b>18,205</b>	<b>17,936</b>	<b>18,422</b>	<b>19,056</b>	<b>22,916</b>	<b>25,760</b>
<b>Expenditures</b>										
General government	2,067	3,034	2,141	2,077	2,282	1,639	1,825	2,020	1,279	2,629
Public safety	8,877	9,814	9,497	9,092	9,164	9,613	9,978	10,430	10,576	12,047
Transportation	2,034	2,490	3,205	3,771	2,502	2,977	2,853	2,991	2,505	5,471
Environmental protection	1,219	1,277	1,925	1,635	1,593	1,537	1,502	1,485	1,596	1,676
Cultural and recreational	1,703	2,083	1,979	1,944	2,062	1,999	1,876	1,656	2,011	(309)
Housing and redevelopment	209	267	321	222	1,134	1,529	3,456	1,334	1,804	1,199
Capital outlay	3,356	-	-	-	3,822	3,254	4,128	2,077	10,034	9,411
Debt service										
Principal	869	716	713	822	923	959	934	973	1,493	1,605
Interest and other charges	95	82	68	79	25	13	58	66	242	248
<b>Total expenditures</b>	<b>20,429</b>	<b>19,763</b>	<b>19,849</b>	<b>19,642</b>	<b>23,507</b>	<b>23,520</b>	<b>26,611</b>	<b>23,033</b>	<b>31,540</b>	<b>33,977</b>
Excess of revenues over (under) expenditures	<u>(3,741)</u>	<u>(3,434)</u>	<u>(3,115)</u>	<u>(2,589)</u>	<u>(5,302)</u>	<u>(5,302)</u>	<u>(8,189)</u>	<u>(3,977)</u>	<u>(8,624)</u>	<u>(8,217)</u>
<b>Other financing sources (uses)</b>										
Transfers from other funds	2,886	3,685	3,367	4,375	3,727	6,983	4,303	5,377	4,902	9,854
Transfers to other funds	(536)	(404)	(933)	(1,815)	(512)	(1,399)	(299)	(1,402)	(1,047)	(3,229)
Installment debt issued	707	510	812	658	560	1,515	828	8,371	1,259	480
Proceeds from sale of assets	28	54	21	1,721	29	11	2,849	44	35	333
<b>Total other financing sources (uses)</b>	<b>3,085</b>	<b>3,845</b>	<b>3,267</b>	<b>4,939</b>	<b>3,804</b>	<b>7,110</b>	<b>4,682</b>	<b>12,390</b>	<b>5,149</b>	<b>7,438</b>
<b>Net change in fund balance</b>	<b>\$ (656)</b>	<b>\$ 411</b>	<b>\$ 152</b>	<b>\$ 2,350</b>	<b>\$ (1,498)</b>	<b>\$ 1,526</b>	<b>\$ (507)</b>	<b>\$ 8,413</b>	<b>\$ (3,475)</b>	<b>\$ (779)</b>
Debt services as a percentage of non-capital expenditures	<u>5.65%</u>	<u>4.04%</u>	<u>3.93%</u>	<u>4.59%</u>	<u>4.82%</u>	<u>4.80%</u>	<u>4.41%</u>	<u>4.96%</u>	<u>8.07%</u>	<u>7.54%</u>



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

<u>Year Ended June 30</u>	<u>Ad Valorem</u>	<u>Sales</u>	<u>Intangibles</u>	<u>Utility Franchise</u>	<u>Beer and Wine</u>	<u>Inventory</u>	<u>Food Stamp</u>	<u>Licenses and CATV Franchise</u>	<u>Total</u>
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
2016	8,307,608	3,053,826	-	2,008,127	88,688	-	-	-	13,458,249
2017	9,000,184	3,494,500	-	1,929,904	90,926	-	-	-	14,515,514
2018	10,344,689	3,964,274	-	1,974,948	86,972	-	-	-	16,370,883
2019	10,835,295	4,535,002	-	2,023,730	86,244	-	-	-	17,480,270

\* 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>
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
2016	1,381,884	357,761	45,619	1,785,264	0.435
2017**	1,457,683	540,022	48,773	2,046,478	0.4972
2018	1,716,983	529,666	51,626	2,298,275	0.4972
2019	1,734,153	534,963	52,142	2,321,258	0.4972

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**

<u>Year Ended June 30</u>	<u>City of Shelby</u>	<u>Uptown Shelby Municipal Service District</u>	<u>Cleveland County</u>	<u>County School District</u>
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
2016	0.435	0.220	0.570	0.150
2017	0.4972	0.250	0.570	0.150
2018	0.4972	0.250	0.570	0.150
2019	0.4972	0.250	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>2019</b>			<b>2010</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>
Clearwater Paper Corporation	\$ 206,277	1	8.98%			
NEG (Formerly PPG)	109,274	2	4.75%	\$ 78,244	1	4.52%
Wal-Mart Stores	89,078	3	3.88%	77,313	2	4.47%
KSM Castings NC Inc.	53,983	4	2.35%			
Greenheck Fan Corp & Real Estate Holdings	24,897	5	1.08%			
Cleveland Yutaka Corporation	24,610	6	1.07%			
Curtis Wright Controls, Inc.	19,609	7	0.85%	13,766	3	0.80%
Schletter Inc.	18,333	8	0.80%			
Baldor Electric Company	17,381	9	0.76%			
Duke Energy Carolina	16,193	10	0.70%	11,066	5	0.64%
Shelby Mall LLC	-		0.00%	10,751	6	0.62%
Lowe's Home Centers, Inc.				11,281	4	0.65%
Bell South Telephone Company				10,119	7	0.58%
Ultra Machine & Fabrication				9,488	8	0.55%
Metals America				7,573	9	0.44%
Carlisle at Delta Park LLC				7,254	10	0.42%
<b>Totals</b>	<b>\$ 579,635</b>		<b>16.25%</b>	<b>\$ 236,855</b>		<b>13.68%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 2,298,275</b>			<b>\$ 1,731,396</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
2010	7,641	7,398	96.82%	19	231	7,618	99.73%
2011	7,635	7,403	96.96%	17	219	7,612	99.72%
2012	7,688	7,460	97.03%	18	214	7,659	99.64%
2013	7,759	7,486	96.48%	30	193	7,679	98.99%
2014	7,670	7,437	96.96%	37	19	7,456	97.21%
2015	7,543	7,385	97.91%	35	36	7,421	97.84%
2016	7,756	7,604	98.04%	51	119	7,723	98.04%
2017	8,356	8,204	98.18%	152	93	8,297	99.29%
2018	9,666	9,523	98.53%	142	60	9,583	99.14%
2019	10,170	9,967	98.01%	203	-	9,967	98.01%

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	(1) (County) Personal Income (amounts expressed in thousands)	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		Per Capita Personal Income			
2010	3,391	-	29,282	3,512	925	37,110	3,026,601	1.23%	29,990	1,785
2011	3,185	-	27,299	2,927	1,117	34,528	3,202,220	1.08%	31,046	1,699
2012	3,283	-	25,449	2,341	1,406	32,479	3,268,534	0.99%	20,003	1,608
2013	3,119	-	25,921	-	1,301	30,341	3,618,414	0.84%	21,036	1,502
2014	2,756	-	23,224	-	2,022	28,002	3,829,655	0.73%	N/A	1,378
2015	3,312	-	20,462	-	11,165	34,939	3,739,455	0.93%	20,504	1,697
2016	3,207	-	20,046	-	14,302	37,555	3,892,854	0.96%	20,003	1,852
2017	10,605	-	20,545	-	13,723	44,873	3,838,028	1.17%	N/A	2,235
2018	10,371	-	18,928	-	23,891	53,190	N/A	N/A	20,789	2,657
2019	9,246	-	17,256	-	25,542	52,044	N/A	N/A	22,582	2,597

N/A - information not available.

(1) Cleveland County

**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>
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
2016	-	0.00%	N/A
2017	-	0.00%	N/A
2018	-	0.00%	N/A
2019	-	0.00%	N/A

**City of Shelby, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2019**

	<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*			
General Obligation Bonded Debt	\$ -	100.00%	\$ -
2015 Purchase of Equipment	\$ 312,747	100.00%	\$ 312,747
2016 Purchase of Equipment	\$ 351,656	100.00%	\$ 351,656
2017 Purchase of Equipment	\$ 409,812	100.00%	\$ 409,812
2018 Purchase of Equipment	\$ 1,019,047	100.00%	\$ 1,019,047
2019 Purchase of Equipment	\$ 479,690		
Telecommunications/Fueling Center Capital Project	\$ 125,000	100.00%	\$ 125,000
Hanna Park Capital Project	\$ 6,673,333	100.00%	\$ 6,673,333
Overlapping Governmental debt - Cleveland County	-	25.19%	-
Total direct and overlapping debt	<u>                    </u>		<u>\$ 8,891,596</u>

\*\* 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>
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%
2016	149,831	37,445	112,386	33.32%
2017	143,174	44,874	98,301	45.65%
2018	164,978	53,191	111,787	47.58%
2019	165,834	52,044	113,790	45.74%

**City of Shelby, North Carolina**  
**Computation of Legal Debt Margin**  
**June 30, 2019**

		(Thousands of dollars)	
Assessed value of taxable property		\$	<u>2,072,921</u>
Debt limit - eight percent (8%) of assessed value		\$	165,834
Gross debt			
Revenue bonds	\$	17,256	
Other financing agreements/notes payable		34,788	\$ 52,044
Total amount of debt applicable to debt limitation			<u>52,044</u>
Legal debt margin		\$	<u>113,790</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	
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%
2016	47,457,107	37,476,271	9,980,836	3,490,674	856,321	4,346,995	230%
2017	48,351,028	37,529,836	10,821,192	2,520,169	760,365	3,280,534	330%
2018	50,661,722	38,473,490	12,188,232	1,617,647	701,826	2,319,473	525%
2019	53,252,633	38,163,877	15,088,756	1,672,016	639,724	2,311,740	653%

\* 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>
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%	3,618,414
2015	20,586	20,504	41.7	14,916	6.90%	3,829,655
2016	20,283	20,003	40.3	14,822	6.50%	3,739,455
2017	(July 2016) 20,080	20,585	40.1	14,548	5.60%	3,892,854
2018	20,018	20,789	40.2	14,452	4.30%	3,838,028
2019	20,038	21,664	41.7	14,216	4.50%	*36,572

(1) NC Department of Budget & Management [nc.gov/demog/](http://nc.gov/demog/) <http://worldpopulationreview.com/us-cities/shelby-nc/>

(2) U.S. Bureau of Economic Analysis for Cleveland County, NC Department of Commerce for Shelby  
[www.bestplaces.net/economy/city/north\\_carolina/shelby](http://www.bestplaces.net/economy/city/north_carolina/shelby) [www.northcarolina.hometownlocator.com/zip-codes](http://www.northcarolina.hometownlocator.com/zip-codes)

(3) NC Department of Public Instruction - Final Average Daily Membership for the fiscal year  
[www.ncpublicschools.org/fbs/accounting/data](http://www.ncpublicschools.org/fbs/accounting/data) - Final Average Daily Membership

(4) Employment Security Commission

(5) Amounts for Cleveland County expressed in thousands of dollars taken from Bureau of Economic Analysis  
<https://bea.gov/regional/>

N/A - information not available.

\*Median Household Income

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

<b>Employer</b>	<b>Industry</b>	<b>2019</b>		<b>2015</b>	
		<b>Rank</b>	<b>Employment Range</b>	<b>Rank</b>	<b>Employment Range</b>
Cleveland County School District	Education	1	1000+	1	1000+
Atrium Health (Formerly Cleveland Regional)	Health services	2	1000+	2	1000+
Wal-Mart Distribution Center	Retail distribution	3	1000+	3	1000+
Cleveland County Government	Public administration	4	500-999	4	500-999
Gardner-Webb University	Education	5	500-999		
Ingles Markets	Trade/Transportation/Utilities	6	500-999		
NEG (Formerly PPG Fiber Glass Products)	Industrial supplies	7	500-999	6	500-999
Eaton Corporation	Manufacturing	8	500-999		
Cleveland Community College	Education	9	250-499	7	500-999
ABB (Formerly Baldor Electric Company)	Manufacturing	10	250-499	5	500-999
City of Shelby	Public administration			10	250-499
Curtiss-Wright Flight Systems, Inc.	Transportation equipment			8	250-499
White Oak Manor, Inc.	Education and health services			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									
	2010	2011	2012	2013	2014	2015	2016	2017*	2018	2019
General government	38.0	38.0	39.0	40.0	35.0	35.0	34.0	34.0	34.0	34.0
Public safety										
Police	87.0	86.0	86.0	86.0	97.0	97.0	95.0	88.0	88.0	88.0
Fire	53.0	53.0	58.0	57.0	58.0	58.0	56.0	53.0	54.0	54.0
Transportation	19.0	19.0	17.0	22.0	21.0	21.0	24.0	23.0	22.0	22.0
Environmental protection	17.0	17.0	19.0	16.0	17.0	17.0	16.0	16.0	16.0	16.0
Cultural and recreational	19.0	19.0	22.0	32.0	30.0	30.0	32.0	22.0	22.0	26.0
Housing and redevelopment	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Business-type activities										
Water	17.5	17.5	19.0	17.0	18.0	16.0	16.5	16.0	18.0	18.0
Sewer	18.5	18.3	21.0	19.0	21.0	21.0	23.0	24.0	22.0	22.0
Electric	10.5	10.4	14.0	12.0	12.0	12.0	14.0	15.0	15.0	15.0
Gas	18.5	18.7	18.0	17.0	18.0	18.0	19.0	19.0	19.0	19.0
Stormwater	-	-	-	-	-	2.0	2.0	2.0	3.0	3.0
Housing	6.0	6.0	7.0	7.0	7.0	7.0	7.5	7.0	7.0	7.0
<b>Total</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>	<b>348.0</b>	<b>328.0</b>	<b>329.0</b>	<b>333.0</b>

**Source:** City of Shelby's Finance Department

\* Full-Time positions approved by budget - no part-time equivalencies included.

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

Function	Fiscal Year Ended June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public safety</b>										
Police:										
Number of calls for service	39,741	37,303	39,068	35,877	35,877	36,173	36,186	46,592	39,097	43,360
Uniform Crime Report Part I crimes reported	1,149	1,039	1,025	887	761	861	771	816	708	846
Uniform Crime Report Part II crimes reported	625	529	554	475	453	525	517	483	519	649
Fire										
Number of responses	1,976	2,179	1,945	1,984	1,935	2,112	2,250	2,285	2,199	2,496
Number of inspections	1,426	1,502	1,530	1,365	1,185	1,258	1,355	1,423	1,103	1,489
<b>Transportation</b>										
Miles of street repaved	-	1.60	1.61	1.83	2.38	2.57	4.13	2.01	3.22	2.64
<b>Environmental protection</b>										
Tons of solid waste collected	7,937	7,233	6,930	6,354	4,884	6,632	7,045	6,960	7,174	7,481
Tons of recycling collected				728	710	955	996	959	1,050	1,064
Tons of yard waste collected								5,635	7,665	5331
<b>Cultural and recreational</b>										
Number of youth sport program participants	3,566	2,309	3,130	3,385	3,881	4,009	4,114	4,188	4,390	4,178
Number of adult sport program participants	758	944	1,026	1,141	1,230	1,351	1,762	1,966	2,268	2,230
Number of golf rounds played	11,240	10,283	10,491	9,761	8,704	7,529	6,506	6,583	6,138	5,481
<b>Housing and redevelopment</b>										
Building inspections:										
Number of permits issued	919	1,076	1,261	1,167	1,007	1,138	1,066	1,202	1,428	1,114
Number of inspections	4,205	4,376	5,437	3,634	3,395	3,935	4,384	4,187	4,256	2,896
<b>Business-type activities</b>										
Water system										
Customers at June 30	9,601	9,587	9,691	9,746	9,739	9,874	9,927	9,996	10,036	10,031
Average of daily consumption **	4.06	4.41	3.87	4.73	5.57	5.84	5.67	6.07	6.22	6.23
Peak daily consumption **	5.78	6.10	7.64	7.65	8.15	8.45	8.45	9.33	8.95	8.60
Sewer system										
Customers at June 30	7,866	7,840	7,952	8,031	8,016	8,136	8,201	8,264	8,319	9,343
Average of daily treatment **	2.26	2.25	2.41	2.95	3.57	3.07	3.47	3.04	3.22	3.84
Peak daily treatment **	9.98	6.61	5.86	12.86	10.59	10.25	11.77	8.52	9.51	10.66
Electric system										
Customers at June 30	7,432	7,409	7,414	7,504	7,505	7,605	7,671	7,729	7,750	7,716
Natural gas system										
Customers at June 30	9,793	9,649	9,615	9,582	9,588	9,643	9,617	9,624	9,647	9,652

\*\* 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public safety</b>										
<b>Police</b>										
Number of stations	1	1	1	1	1	1	2	2	2	1
Number of patrol units	43	47	47	47	50	50	50	50	50	50
<b>Fire</b>										
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	122	122	123	123	124	124	124	124	124	125
Miles of unpaved roads	0	0	0	0	0	0	0	0	0	0
Miles of sidewalks	28	28	28	28	28	29	30	30	30	30
<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	340	340	340	340	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>										
<b>Water system</b>										
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	214	219	218	221	222	223	221	221	221	228
Number of fire hydrants	1,343	1,271	1,241	1,358	1,376	1,389	1,394	1,412	1,416	1,440
<b>Sewer system</b>										
Number of treatment plants	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	204	203	195	190	190	191	191	191	191	194
Miles of force main									25	26
Miles of storm sewers	7	7	-	10	10	25	26	26	26	29
<b>Electric system</b>										
Number of sub-stations	4	4	4	4	4	4	4	4	4	4
System capacity **	65	65	65	65	65	65	65	65	65	65
Miles of primary lines	141	141	141	146	147	148	148	149	152	150
Miles of secondary lines	203	204	163	210	211	211	211	211	211	210
<b>Natural gas system</b>										
Miles of gas mains	473	506	479	482	504	501	501	502	502	506

\* 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 And Report On Internal Control Over Compliance Required By The Uniform Guidance; And The State Single Audit Implementation Act

Report On Compliance For Each Major State Program And Report On Internal Control Over Compliance Required By The Uniform Guidance; And The State Single Audit Implementation Act

Schedule of Findings, Responses, and Questioned Costs

Corrective Action Plan

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  
City of Shelby  
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, 2019, 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 25, 2019. Our report includes a reference to other auditors who audited the financial statements of the City of Shelby ABC Board, as described in our report on the City of Shelby's financial statements. 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 from 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 25, 2019

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

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

## **Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance Required By The Uniform Guidance; And The State Single Audit Implementation Act**

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

To the Honorable Mayor and  
Members of the City Council  
City of Shelby  
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 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, 2019. The City of Shelby's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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.

### ***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, 2019.

### **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 types of requirements that could have a direct and material effect on each major federal program 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 the Uniform Guidance, 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 the Uniform Guidance. 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 25, 2019

# MARTIN STARNES

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## & ASSOCIATES, CPAs, P.A.

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

### **Report On Compliance For Each Major State Program And Report On Internal Control Over Compliance Required By The Uniform Guidance; And the State Single Audit Implementation Act**

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

To the Honorable Mayor and  
Members of the City Council  
City of Shelby  
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, 2019. The City of Shelby's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state programs. 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, 2019.

### **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 types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 a 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 the Uniform Guidance. 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 25, 2019



**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**1. Summary of Auditor’s Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? 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? 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 2 CFR 200.516(a)? No

Identification of major federal programs:

<u><b>Program Name</b></u>	<u><b>CFDA#</b></u>
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Investments for Public Works and Economic Development Facilities	11.300
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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

*State Awards*

Internal control over major state programs:

- Material weakness identified? No
- Significant deficiency identified? 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**

State Aid to Airports Program  
Industrial Development Fund - IDF

## **CITY OF SHELBY, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019**

**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**  
**SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Finding: 2018-001**

**Status:** Corrected.

## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<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>	<u>Pass-Through to Subrecipients</u>
<b>Federal Grants:</b>					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Low Rent Housing Program:					
Public Housing Authority Owned Rental Housing	14.850	NC034-00000111D	\$ 435,619	\$ -	\$ -
Capital Fund Program (CFP)--2017	14.872	NC19P034501-17	252,796	-	-
Capital Fund Program (CFP)--2016	14.872	NC19P034501-16	2,454	-	-
Total U.S. Dept. of Housing and Urban Development			<u>690,869</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
Direct Program:					
Justice Assistance Grant	16.738	2017-DJ-BX-0675	9,754	-	-
Justice Assistance Grant	16.738	2018-DJ-BX-0311	7,721	-	-
Governor's Crime Commission	16.738	2017-DJ-BX-0129	24,500	-	-
Passed-through U.S. Department of Defense:					
Bulletproof Vest Partnership Program	16.607	2019	4,859	-	-
Equitable Sharing Program	16.922	NC0230200	4,831	-	-
Total U.S. Dept. of Justice			<u>51,665</u>	<u>-</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>					
Passed Through the N.C. Department of Environmental Quality:					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds - Compost Facility	66.458	E-SRF-T-15-0411	1,516,172	-	-
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	5,548,921	-	-
Total U.S. Environmental Protection Agency			<u>7,065,093</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Commerce</u>					
U.S. Economic Development Administration					
Passed through the N.C. Department of Commerce:					
Economic Development Cluster					
Investments for Public Works and Economic Development Facilities - Public Works Program	11.300	04-01-07220	2,810,000	-	-
Total U.S. Dept. of Commerce			<u>2,810,000</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106	36237.16.15.1	515,575	-	-
Airport Improvement Program	20.106	36237.16.14.1	71,172	-	-
Total U.S. Dept. of Transportation			<u>586,747</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>11,204,374</u>	<u>-</u>	<u>-</u>
<b>State Grants:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill	N/A	32570	-	526,316	-
State Aid to Airports Program	N/A	36244.23.13.2	-	1,145,961	-
State Aid to Airports Program	N/A	36244.23.12.1	-	2,171,914	-
State Aid to Airports Program	N/A	36244.23.11.1	-	20,400	-
Total N.C. Department of Transportation			<u>-</u>	<u>3,864,591</u>	<u>-</u>
<u>N.C. Department of Commerce:</u>					
Passed Through N.C. Rural Economic Development					
Industrial Development Fund - IDF		U-476	-	951,394	-
Total N.C. Department of Commerce			<u>-</u>	<u>951,394</u>	<u>-</u>
<u>N.C. Office of Management and Budget:</u>					
Passed through N.C. Department of Commerce:					
Downtown Revitalization - Session Law 2017-57 & 2018-5 : Uptown Fallen Hero		2018-070-1257-1534 1	-	132,620	-
Total assistance - state programs			<u>-</u>	<u>4,948,605</u>	<u>-</u>
Total assistance			<u>\$ 11,204,374</u>	<u>\$ 4,948,605</u>	<u>\$ -</u>

## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019Notes to the Schedule of Expenditures of Federal and State Awards:**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the City of Shelby under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Shelby, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the City of Shelby.

**2. Summary of Significant Accounting Principles**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Loans Outstanding**

City of Shelby had the following loan balances outstanding at June 30, 2019 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	\$ 3,136,393

City of Shelby had expenditures of \$1,516,172 at 6/30/19, under the Capitalization Grants for Clean Water State Revolving Funds. However, at fiscal year-end, no draw downs had been made for the debt; therefore, there is a zero debt balance at 6/30/19. The City plans to make a draw in FY 2020.

City of Shelby had expenditures of \$5,548,921 at 6/30/19, under the Capitalization Grants for Drinking Water State Revolving Funds. Draw downs made for the debt therefore, debt balance at 6/30/19 totaled \$3,136,393. The City plans to make a draw in FY 2020.

**4. Indirect Cost Rate**

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