

**CITY OF SHELBY
NORTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

PREPARED BY:

CITY OF SHELBY FINANCE DEPARTMENT



CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Introductory Section	
	Letter of Transmittal	i-vi
	GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
	List of Principal Officials	viii
	Organizational Chart	ix
	Financial Section	
	Independent Auditor's Report	1-3
	Management's Discussion and Analysis	4-14
	Basic Financial Statements:	
A	Statement of Net Position	15
B	Statement of Activities	15-17
C	Balance Sheet - Governmental Funds	18-19
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
E	Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds to the Statement of Activities	21
F	General Fund - Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	22
G	Statement of Net Position - Proprietary Funds	23
H	Statement of Revenues, Expenses, and Changes In Fund Net Position - Proprietary Funds	24
I	Statement of Cash Flows - Proprietary Funds	25-26
	Notes to the Financial Statements	27-78

CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Required Supplementary Information:	
A-1	Total OPEB Liability - Schedule of Changes in Total OPEB Liability and Related Ratios - Required Supplementary Information	79
A-2	Local Government Employees' Retirement System - Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information - Last Seven Fiscal Years	80
A-3	Local Government Employees' Retirement System - Contributions Required Supplementary Information - Last Seven Fiscal Years	81
A-4	Law Enforcement Officers' Special Separation Allowance - Schedule of Changes in Total Pension Liability (LEO) Last Four Fiscal Years	82
A-5	Law Enforcement Officers' Special Separation Allowance - Schedule of Total Pension Liability as a Percentage of Covered Payroll Last Four Fiscal Years	83
	General Fund:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	84-86
	Major Governmental Fund:	
C-1	Capital Projects Fund - Major Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual	87
	Nonmajor Governmental Funds:	
D-1	Combining Balance Sheet	88
D-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	89
	Nonmajor Special Revenue Funds:	
E-1	Combining Balance Sheet	90
E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	91

CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Nonmajor Special Revenue Funds (continued):	
E-3	Emergency Telephone System Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	92
E-4	Economic Development Commission Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	93
	Nonmajor Capital Project Funds:	
F-1	Combining Balance Sheet	94
F-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances in Fund Balance - Budget and Actual Actual	95
F-3	Economic Development Project - Nonmajor Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual	96
F-4	Economic Development Reserve - Nonmajor Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual	97
	Nonmajor Permanent Funds:	
G-1	Combining Balance Sheet	98
G-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	99
	Proprietary Funds - Enterprise Funds:	
H-1	Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	100-101
H-2	Water Capital Projects Fund - Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP)	102

CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Proprietary Funds - Enterprise Funds (continued):	
H-3	Sewer Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	103-104
H-4	Sewer Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	105
H-5	Electric Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	106-107
H-6	Electric Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	108
H-7	Gas Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	109-110
H-8	Gas Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	111
H-9	Combining Statement of Net Position - Nonmajor Enterprise Funds	112
H-10	Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	113
H-11	Combining Statement of Cash Flows - Nonmajor Enterprise Funds	114-115
H-12	Enterprise Fund - Stormwater Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	116

CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

<u>Schedule</u>		<u>Page</u>
	Proprietary Funds - Enterprise Funds (continued):	
H-13	Housing Assistance Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	117
H-14	Housing Capital Projects Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	118
	Other Supplemental Information:	
I-1	Schedule of Ad Valorem Taxes Receivable	119
I-2	Analysis of Current Year Tax Levy - All Districts	120
I-3	Analysis of Current Year Tax Levy - City-Wide Levy	121
I-4	Analysis of Current Year Tax Levy - Municipal Service District Levy	122
J-1	Financial Data Schedule - Balance Sheet	123
J-2	Financial Data Schedule - Revenues and Expenses	124
J-3	Statement of Program Costs - Completed	125
	Statistical Section	
	Net Position by Component	126
	Changes in Net Position by Component	127-129
	Fund Balances of Governmental Funds	130
	Changes in Fund Balances of Governmental Funds	131
	General Government Tax Revenues by Source	132
	Assessed Value and Actual Value of Taxable Property	133
	Property Tax Rates - Direct and Overlapping Governments	134
	Principal Property Taxpayers	135
	Property Tax Levies and Collections	136
	Ratios of Outstanding Debt by Type	137

CITY OF SHELBY, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Statistical Section (continued)	
Ratios of General Bonded Debt Outstanding	138
Direct and Overlapping Governmental Activities Debt	139
Legal Debt Margin Information	140
Computation of Legal Debt Margin	141
Pledged Revenue Coverage	142
Demographic and Economic Statistics	143
Principal Employers	144
Full-Time Equivalent City Government Employees by Function	145
Operating Indicators by Functions	146
Capital Asset Statistics by Function	147
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 <i>Government Auditing Standards</i>	148-149
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	150-151
Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by Uniform Guidance; and the State Single Audit Implementation Act	152-153
Schedule of Findings, Responses, and Questioned Costs	154-155
Schedule of Prior Year Audit Findings	156
Schedule of Expenditures of Federal and State Awards	157-158



INTRODUCTORY SECTION





October 26, 2020

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, 2020.

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, 2020, 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, 2020, 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 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, natural gas, and stormwater 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 Kendrion Inc. formerly 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, 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 Statutes, operates its financial systems under an act known as the "Local Government Budget and Fiscal Control Act" (LGBFCA) which provides extensive budgetary controls. The object of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Multi-year capital project budget ordinances are authorized for projects that extend into

two or more fiscal years. The level of budgetary control is at the departmental level within each fund. The City also maintains an encumbrance accounting system as one method to 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 2021

The City tax rate remained unchanged at 52.25 cents per one hundred dollars of valuation for FY 2021. Budgeted expenditures in the General Fund are expected to decrease slightly to \$25,874,835 in FY 2021. This budget includes 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 2021. 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 2021.

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, 2019. This was the twenty second 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



Beth B. Beam
Director 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, 2019

Christopher P. Morill

Executive Director/CEO

City of Shelby, North Carolina

List of Principal Officials
June 30, 2020

Elected Officials

Oliver Stanhope Anthony, III
Mayor

Andrew L. Hopper, Sr.

Eric B. Hendrick
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

Beth B. Beam
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

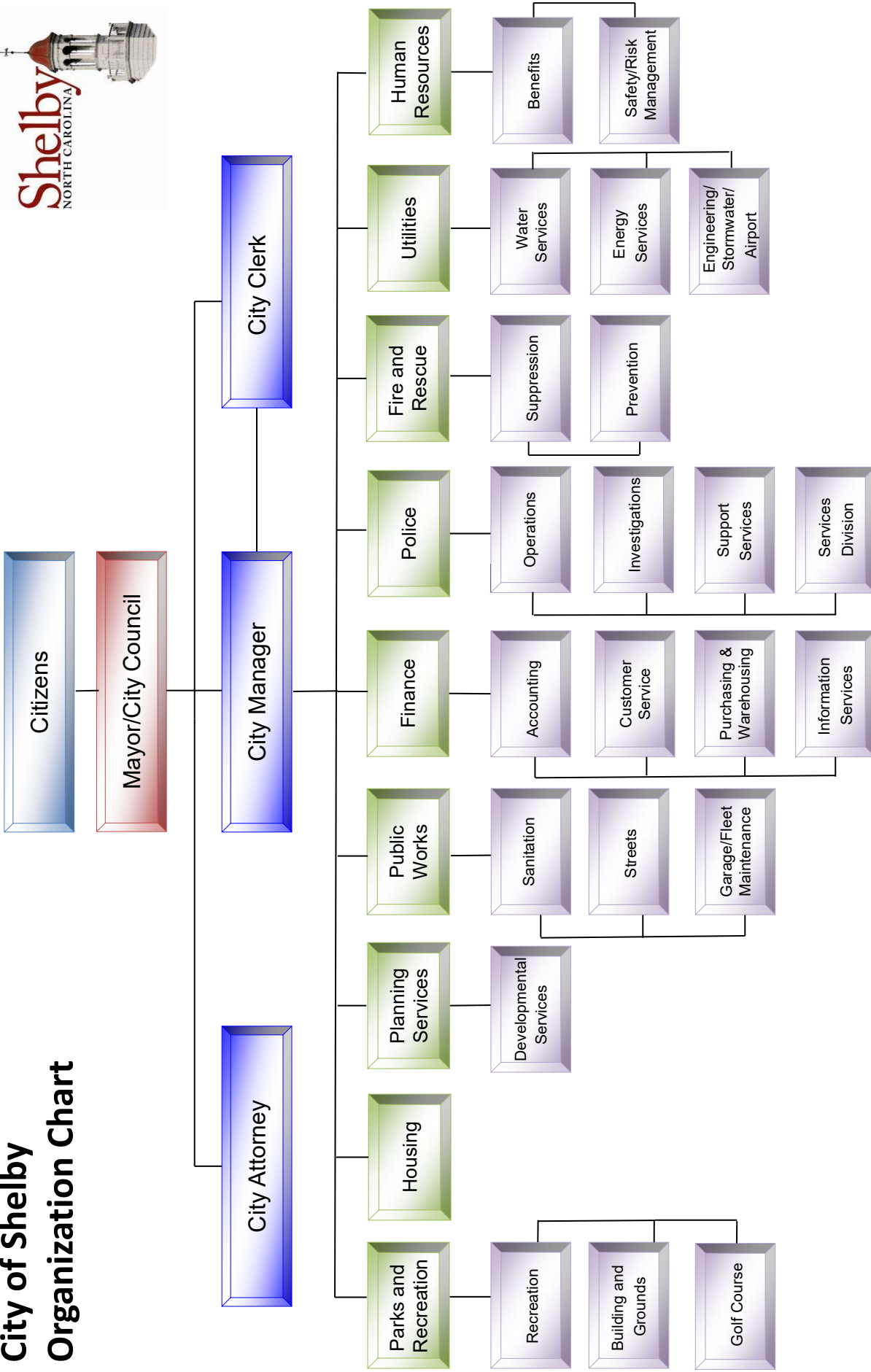
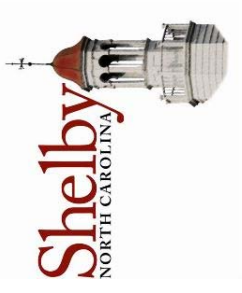
Walter Scharer, AICP
Director of Planning & Development Services

Ben Yarboro
Director of Engineering Services

David Hux
Director of Water Resources

Andrea Leslie-Fite
Staff Attorney

City of Shelby Organization Chart







FINANCIAL SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 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, 2020, 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 Financial Data Schedule is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, Financial Data Schedule 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, Financial Data Schedule 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 26, 2020 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 26, 2020



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, 2020. 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

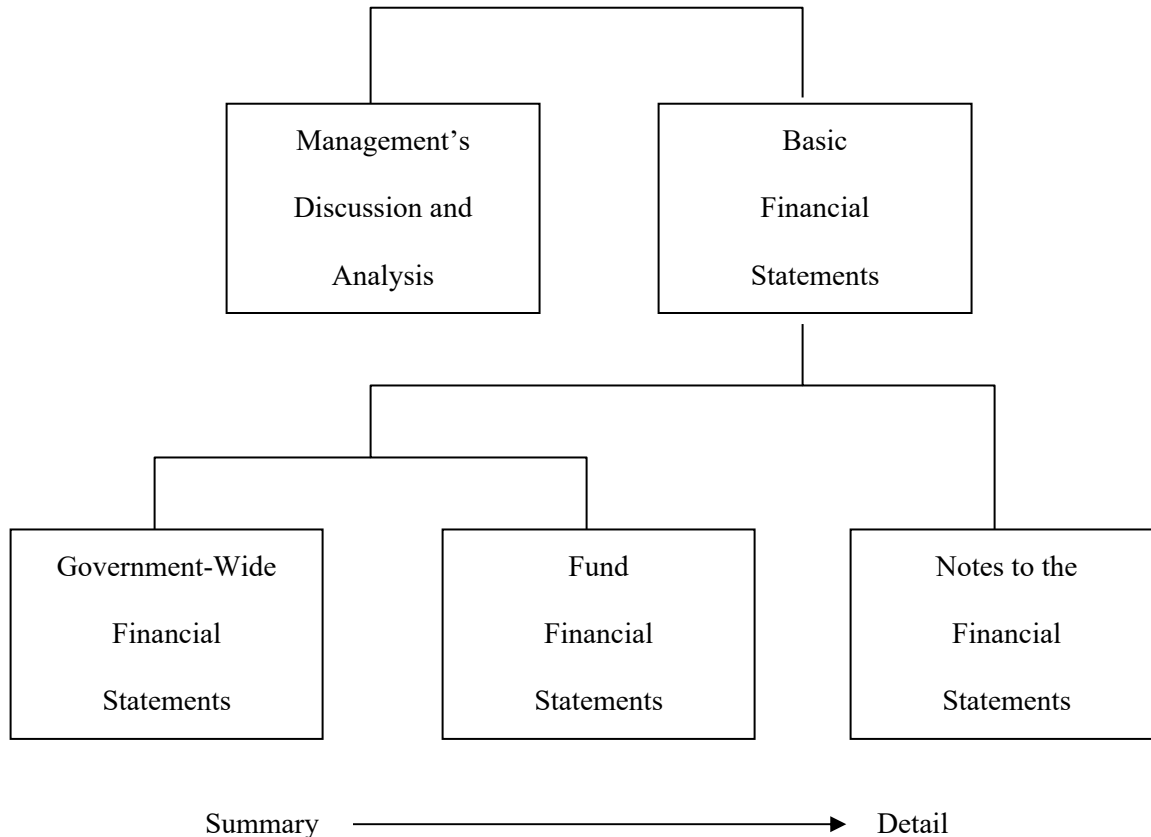
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$177,577,257 (*net position*).
- The government's total net position increased by \$12,843,361, due to an increase of \$4,694,997 in governmental activities' net position and an increase of \$8,148,364 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 \$15,121,904, with a net increase in fund balance of \$144,741. Approximately 56.77 percent of this total amount, or \$8,584,363, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,538,861, or 17.67 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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current/other assets	\$ 18,161,546	\$ 18,274,911	\$ 27,341,040	\$ 23,045,370	\$ 45,502,586	\$ 41,320,281
Capital assets	<u>59,969,886</u>	<u>53,345,741</u>	<u>173,841,031</u>	<u>151,323,025</u>	<u>233,810,917</u>	<u>204,668,766</u>
Total assets	<u>78,131,432</u>	<u>71,620,652</u>	<u>201,182,071</u>	<u>174,368,395</u>	<u>279,313,503</u>	<u>245,989,047</u>
Deferred Outflows of Resources						
	<u>4,118,151</u>	<u>4,039,357</u>	<u>1,462,845</u>	<u>1,536,143</u>	<u>5,580,996</u>	<u>5,575,500</u>
Liabilities:						
Long-term liabilities	28,152,498	28,167,653	63,220,260	44,519,965	91,372,758	72,687,618
Other liabilities	<u>4,250,269</u>	<u>3,195,020</u>	<u>9,210,258</u>	<u>9,581,963</u>	<u>13,460,527</u>	<u>12,776,983</u>
Total liabilities	<u>32,402,767</u>	<u>31,362,673</u>	<u>72,430,518</u>	<u>54,101,928</u>	<u>104,833,285</u>	<u>85,464,601</u>
Deferred Inflows of Resources						
	<u>1,940,031</u>	<u>1,085,548</u>	<u>543,926</u>	<u>280,502</u>	<u>2,483,957</u>	<u>1,366,050</u>
Net Position:						
Net investment in capital assets	52,963,245	47,195,989	111,590,334	108,940,934	164,553,579	156,136,923
Restricted	6,349,974	5,564,168	-	-	6,349,974	5,564,168
Unrestricted	<u>(11,406,434)</u>	<u>(9,548,369)</u>	<u>18,080,138</u>	<u>12,581,174</u>	<u>6,673,704</u>	<u>3,032,805</u>
Total net position	<u>\$ 47,906,785</u>	<u>\$ 43,211,788</u>	<u>\$ 129,670,472</u>	<u>\$ 121,522,108</u>	<u>\$ 177,577,257</u>	<u>\$ 164,733,896</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 \$177,577,257 as of June 30, 2020. The City's net position increased by \$12,843,361 for the fiscal year ended June 30, 2020. 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, \$6,349,974, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,673,704 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 97.09%. as compared with 98.15% in the previous year.
- Increase in sales tax collections contributed to increased revenues in the current year. Due to growth in the City's tax base, the ad valorem distribution percentage increased.
- Increase in charges for services and grants and contributions increased revenues in the current year.
- The first full year of Clearwater Paper Corporation S2 operations positively influenced the net position as well.

City of Shelby's Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,900,110	\$ 2,849,947	\$ 53,925,452	\$ 54,755,586	\$ 56,825,562	\$ 57,605,533
Operating grants and contributions	1,684,673	2,036,761	699,858	524,473	2,384,531	2,561,234
Capital grants and contributions	4,219,643	4,648,339	813,999	13,451,156	5,033,642	18,099,495
General revenues:						
Property taxes	12,735,510	10,905,214	-	-	12,735,510	10,905,214
Other taxes	6,606,887	6,666,786	-	-	6,606,887	6,666,786
Investment earnings	196,229	333,706	97,441	222,216	293,670	555,922
Total revenues	<u>28,343,052</u>	<u>27,440,753</u>	<u>55,536,750</u>	<u>68,953,431</u>	<u>83,879,802</u>	<u>96,394,184</u>
Expenses:						
General government	3,492,288	2,716,521	-	-	3,492,288	2,716,521
Public safety	13,790,665	13,143,422	-	-	13,790,665	13,143,422
Transportation	3,224,856	5,976,728	-	-	3,224,856	5,976,728
Environmental protection	2,053,799	1,955,107	-	-	2,053,799	1,955,107
Cultural and recreational	(1,504,804)	12,945	-	-	(1,504,804)	12,945
Housing and redevelopment	6,026,744	1,198,672	-	-	6,026,744	1,198,672
Interest on long-term debt	194,507	240,048	-	-	194,507	240,048
Water	-	-	4,673,377	4,399,176	4,673,377	4,399,176
Sewer	-	-	5,084,191	5,506,125	5,084,191	5,506,125
Electric	-	-	19,334,510	19,499,393	19,334,510	19,499,393
Gas	-	-	12,642,274	13,534,544	12,642,274	13,534,544
Stormwater	-	-	617,170	737,335	617,170	737,335
Housing assistance	-	-	1,406,864	1,335,155	1,406,864	1,335,155
Total expenses	<u>27,278,055</u>	<u>25,243,443</u>	<u>43,758,386</u>	<u>45,011,728</u>	<u>71,036,441</u>	<u>70,255,171</u>
Change in net position before transfers	1,064,997	2,197,310	11,778,364	23,941,703	12,843,361	26,139,013
Transfers in (out)	<u>3,630,000</u>	<u>6,625,083</u>	<u>(3,630,000)</u>	<u>(6,625,083)</u>	<u>-</u>	<u>-</u>
Change in net position	4,694,997	8,822,393	8,148,364	17,316,620	12,843,361	26,139,013
Net Position:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 47,906,785</u>	<u>\$ 43,211,788</u>	<u>\$ 129,670,472</u>	<u>\$ 121,522,108</u>	<u>\$ 177,577,257</u>	<u>\$ 164,733,896</u>

Governmental Activities. Governmental activities increased the City's net position by \$4,694,997. 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 as the ad valorem distribution percentage increased

Business-Type Activities. Business-type activities increased the City of Shelby's net position by \$8,148,364. 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. Clearwater Paper Corporation S2 was operational for the first full year.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Shelby. At the end of the current fiscal year, fund balance available in the General Fund was \$5,508,138, while total fund balance reached \$9,461,584. 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 22.26% of total General Fund expenditures and transfers to other funds, while total fund balance represents 38.24% of that same amount.

At June 30, 2020, the governmental funds of the City of Shelby reported a combined fund balance of \$15,121,904, an increase of \$144,741 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. Property tax receipts increased due to industrial expansion. The ad valorem distribution percentage of sales tax also increased due to industrial expansion.

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 \$72,000 (0.32%). 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 \$3,320,792; the Sewer Fund was \$(1,093,953); the Electric Fund was \$7,753,888; and the Gas Fund was \$5,511,575. 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, 2020 totaled \$233,810,917 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Construction in Progress of Airport T-Hangar Project of \$2,418,905
- Construction in Progress of Uptown Streetscape/Pedestrian Improvement Project of \$3,008,798
- Construction in Progress of Job Ready Shell Building #3 of \$1,581,006
- Construction in Progress of Farmville Road Waterline Project of \$575,303
- Construction in Progress of Water Treatment Plant Project of \$9,873,954
- Construction in Progress of Wastewater Treatment Plant Biosolids Project of \$12,605,855
- Construction in Progress of WTP Electric Line Construction Project of \$319,339
- Construction in Progress of Hwy 74 Bypass “C” Section Gas Line Relocation of \$350,066
- Construction in Progress of Marion/Peach Street Gas Line Relocation of \$383,820

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 5,864,144	\$ 5,730,644	\$ 963,696	\$ 963,696	\$ 6,827,840	\$ 6,694,340
Buildings and systems	17,753,144	17,753,144	179,237,168	177,605,127	196,990,312	195,358,271
Improvements other than buildings	14,312,263	14,312,263	1,662,841	1,339,630	15,975,104	15,651,893
Machinery and equipment	9,623,860	8,978,519	6,714,652	6,662,650	16,338,512	15,641,169
Infrastructure	11,484,875	11,484,875	-	-	11,484,875	11,484,875
Vehicles and motorized equipment	11,267,616	10,946,892	3,908,272	3,798,863	15,175,888	14,745,755
Construction in progress	24,611,473	17,148,854	61,918,772	37,364,965	86,530,245	54,513,819
Subtotal	94,917,375	86,355,191	254,405,401	227,734,931	349,322,776	314,090,122
Less: accumulated depreciation	(34,947,489)	(33,009,450)	(80,564,370)	(76,411,906)	(115,511,859)	(109,421,356)
Capital assets, net	<u>\$ 59,969,886</u>	<u>\$ 53,345,741</u>	<u>\$ 173,841,031</u>	<u>\$ 151,323,025</u>	<u>\$ 233,810,917</u>	<u>\$ 204,668,766</u>

Additional information on the City’s capital assets can be found in Note 2.A. of the basic financial statements located on pages 43-49.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Direct Placement & Direct Borrowing						
Installment purchase notes	\$ 8,720,538	\$ 9,246,296	\$ 47,096,502	\$ 25,542,008	\$ 55,817,040	\$ 34,788,304
Revenue bonds	-	-	15,528,260	17,255,710	15,528,260	17,255,710
Net pension liability-LGERS	4,779,813	4,095,147	1,404,634	1,185,449	6,184,447	5,280,596
Total pension liability-LEOSSA	2,767,698	2,502,779	-	-	2,767,698	2,502,779
Compensated absences	1,147,282	1,145,103	277,757	287,159	1,425,039	1,432,262
Other post-employment benefits	12,381,046	12,936,233	3,871,520	4,037,353	16,252,566	16,973,586
Total	<u>\$ 29,796,377</u>	<u>\$ 29,925,558</u>	<u>\$ 68,178,673</u>	<u>\$ 48,307,679</u>	<u>\$ 97,975,050</u>	<u>\$ 78,233,237</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 \$122,800,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 50-61 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

- The State of North Carolina unemployment numbers rose from 4.2% in June 2019 to 7.5% in June 2020. Cleveland County's numbers changed from 4.6% in June 2019 to 7.7% in June 2020.
- 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.
- Greenheck Fan Corporation, a machining manufacturer of air movement and control equipment, announced an expansion project that will bring 403 new jobs and \$59 million in capital investment to the City of Shelby. Jobs will include both manufacturing and professional positions.
- The City of Shelby is building its third Job-Ready Shell building. Efforts to market the building and site are on-going.
- The City of Shelby has seen an increase in commercial and residential permit requests.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities. The City tax rate remained unchanged at 52.25 cents per one hundred dollars of valuation for FY 2021. Budgeted expenditures in the General Fund are expected to increase to \$25,893,621 in FY 2021. This increase is largely due to 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 2021. 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 2021.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
Assets:				
Current assets:				
Cash and cash equivalents	\$ 9,310,937	\$ 16,803,987	\$ 26,114,924	\$ 342,945
Taxes receivable, net	481,472	-	481,472	-
Accounts receivable, net	2,138,492	7,130,839	9,269,331	-
Loans receivable	12,236	-	12,236	-
Interest receivable	5,478	-	5,478	-
Due from other governments	2,342,316	440,226	2,782,542	-
Internal balances	11,352	(11,352)	-	-
Inventories	129,606	1,904,779	2,034,385	634,663
Prepaid items	390,886	120,748	511,634	2,798
Total current assets	<u>14,822,775</u>	<u>26,389,227</u>	<u>41,212,002</u>	<u>980,406</u>
Non-current assets:				
Cash and cash equivalents, restricted	3,338,771	635,421	3,974,192	-
Long-term notes receivable	-	316,392	316,392	-
Capital assets, non-depreciable	30,475,617	62,882,468	93,358,085	182,567
Capital assets, net	<u>29,494,269</u>	<u>110,958,563</u>	<u>140,452,832</u>	<u>206,494</u>
Total non-current assets	<u>63,308,657</u>	<u>174,792,844</u>	<u>238,101,501</u>	<u>389,061</u>
Total assets	<u>78,131,432</u>	<u>201,182,071</u>	<u>279,313,503</u>	<u>1,369,467</u>
Deferred Outflows of Resources:				
OPEB deferrals	960,191	286,811	1,247,002	-
Pension deferrals	3,157,960	801,969	3,959,929	81,812
Deferred charge on refunding	-	374,065	374,065	-
Total deferred outflows of resources	<u>4,118,151</u>	<u>1,462,845</u>	<u>5,580,996</u>	<u>81,812</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	2,558,170	3,451,901	6,010,071	361,353
Accrued interest payable	48,220	164,523	212,743	-
Liabilities to be paid from restricted assets	-	635,421	635,421	-
Current portion of long-term liabilities	<u>1,643,879</u>	<u>4,958,413</u>	<u>6,602,292</u>	<u>-</u>
Total current liabilities	<u>4,250,269</u>	<u>9,210,258</u>	<u>13,460,527</u>	<u>361,353</u>
Long-term liabilities:				
Net pension liability - LGERS	4,779,813	1,404,634	6,184,447	81,108
Total pension liability - LEOSSA	2,767,698	-	2,767,698	-
Total OPEB liability	12,381,046	3,871,520	16,252,566	-
Due in more than one year	<u>8,223,941</u>	<u>57,944,106</u>	<u>66,168,047</u>	<u>-</u>
Total long-term liabilities	<u>28,152,498</u>	<u>63,220,260</u>	<u>91,372,758</u>	<u>81,108</u>
Total liabilities	<u>32,402,767</u>	<u>72,430,518</u>	<u>104,833,285</u>	<u>442,461</u>
Deferred Inflows of Resources:				
OPEB deferrals	1,797,776	536,998	2,334,774	-
Pension deferrals	142,255	6,928	149,183	-
Total deferred inflows of resources	<u>1,940,031</u>	<u>543,926</u>	<u>2,483,957</u>	<u>-</u>
Net Position:				
Net investment in capital assets	52,963,245	111,590,334	164,553,579	389,061
Restricted for:				
Stabilization by state statute	4,509,874	-	4,509,874	-
Perpetual - non-expendable	1,317,597	-	1,317,597	-
Public safety	215,226	-	215,226	-
Streets - Powell Bill	307,277	-	307,277	-
Working capital	-	-	-	166,254
Unrestricted	<u>(11,406,434)</u>	<u>18,080,138</u>	<u>6,673,704</u>	<u>453,503</u>
Total net position	<u>\$ 47,906,785</u>	<u>\$ 129,670,472</u>	<u>\$ 177,577,257</u>	<u>\$ 1,008,818</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, 2020

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 3,492,288	\$ 769,221	\$ 80,780	\$ -
Public safety	13,790,665	47,850	1,284,750	-
Transportation	3,224,856	302,418	71,672	2,549,725
Environmental protection	2,053,799	1,512,706	-	-
Cultural and recreational	(1,504,804)	265,415	-	24,200
Housing and redevelopment	6,026,744	2,500	247,471	1,645,718
Interest on long-term debt	194,507	-	-	-
Total governmental activities	<u>27,278,055</u>	<u>2,900,110</u>	<u>1,684,673</u>	<u>4,219,643</u>
Business-Type Activities:				
Water Fund	4,673,377	5,431,308	50,784	571,402
Sewer Fund	5,084,191	5,842,981	20,761	(80,614)
Electric Fund	19,334,510	24,938,468	-	-
Gas Fund	12,642,274	16,137,530	5,893	-
Stormwater Fund	617,170	906,365	-	-
Housing Assistance Fund	1,406,864	668,800	622,420	323,211
Total business-type activities	<u>43,758,386</u>	<u>53,925,452</u>	<u>699,858</u>	<u>813,999</u>
Total primary government	<u>\$ 71,036,441</u>	<u>\$ 56,825,562</u>	<u>\$ 2,384,531</u>	<u>\$ 5,033,642</u>
Component Unit:				
City of Shelby ABC Board	<u>\$ 5,614,963</u>	<u>\$ 5,614,963</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, 2020

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
Primary Government:				
Governmental Activities:				
General government	\$ (2,642,287)	\$ -	\$ (2,642,287)	\$ -
Public safety	(12,458,065)	-	(12,458,065)	-
Transportation	(301,041)	-	(301,041)	-
Environmental protection	(541,093)	-	(541,093)	-
Cultural and recreational	1,794,419	-	1,794,419	-
Housing and redevelopment	(4,131,055)	-	(4,131,055)	-
Interest on long-term debt	(194,507)	-	(194,507)	-
Total governmental activities	<u>(18,473,629)</u>	<u>-</u>	<u>(18,473,629)</u>	<u>-</u>
Business-Type Activities:				
Water Fund	-	1,380,117	1,380,117	-
Sewer Fund	-	698,937	698,937	-
Electric Fund	-	5,603,958	5,603,958	-
Gas Fund	-	3,501,149	3,501,149	-
Stormwater Fund	-	289,195	289,195	-
Housing Assistance Fund	-	207,567	207,567	-
Total business-type activities	<u>-</u>	<u>11,680,923</u>	<u>11,680,923</u>	<u>-</u>
Total primary government	<u>(18,473,629)</u>	<u>11,680,923</u>	<u>(6,792,706)</u>	<u>-</u>
Component Unit:				
City of Shelby ABC Board				<u>-</u>
General Revenues:				
Taxes				
Property tax	12,735,510	-	12,735,510	-
Sales tax	4,586,637	-	4,586,637	-
Franchise tax	1,918,022	-	1,918,022	-
Other taxes	102,228	-	102,228	-
Investment earnings	196,229	97,441	293,670	473
Total general revenues, not including transfers	<u>19,538,626</u>	<u>97,441</u>	<u>19,636,067</u>	<u>473</u>
Transfers	<u>3,630,000</u>	<u>(3,630,000)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>23,168,626</u>	<u>(3,532,559)</u>	<u>19,636,067</u>	<u>473</u>
Change in net position	4,694,997	8,148,364	12,843,361	473
Net Position:				
Beginning of year - July 1	<u>43,211,788</u>	<u>121,522,108</u>	<u>164,733,896</u>	<u>1,008,345</u>
End of year - June 30	<u>\$ 47,906,785</u>	<u>\$ 129,670,472</u>	<u>\$ 177,577,257</u>	<u>\$ 1,008,818</u>

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Assets:				
Cash and cash equivalents	\$ 5,973,187	\$ -	\$ 3,337,750	\$ 9,310,937
Receivables, net:				
Taxes	478,058	-	3,414	481,472
Accounts	1,165,310	-	973,182	2,138,492
Interest	3,864	553	1,061	5,478
Loans	-	-	12,236	12,236
Due from other funds	11,352	-	-	11,352
Due from other governments	2,282,428	44,191	15,697	2,342,316
Inventories	129,606	-	-	129,606
Prepaid items	360,886	-	30,000	390,886
Restricted cash and cash equivalents	<u>307,277</u>	<u>1,713,897</u>	<u>1,317,597</u>	<u>3,338,771</u>
Total assets	<u>\$ 10,711,968</u>	<u>\$ 1,758,641</u>	<u>\$ 5,690,937</u>	<u>\$ 18,161,546</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 772,326</u>	<u>\$ 770,938</u>	<u>\$ 1,014,906</u>	<u>\$ 2,558,170</u>
Deferred Inflows of Resources:				
Taxes receivable	<u>478,058</u>	<u>-</u>	<u>3,414</u>	<u>481,472</u>
Fund Balances:				
Non-spendable:				
Inventories	129,606	-	-	129,606
Prepays	360,886	-	30,000	390,886
Perpetual	-	-	1,317,597	1,317,597
Restricted:				
Stabilization by state statute	3,462,954	44,744	1,002,176	4,509,874
Public safety	-	-	215,226	215,226
Streets - Powell Bill	307,277	-	-	307,277
Transportation	-	1,713,897	-	1,713,897
Committed:				
Capital projects	-	-	199,475	199,475
Assigned:				
Subsequent year's expenditures	662,000	-	-	662,000
Economic development	-	-	1,975,313	1,975,313
Unassigned	<u>4,538,861</u>	<u>(770,938)</u>	<u>(67,170)</u>	<u>3,700,753</u>
Total fund balances	<u>9,461,584</u>	<u>987,703</u>	<u>4,672,617</u>	<u>15,121,904</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,711,968</u>	<u>\$ 1,758,641</u>	<u>\$ 5,690,937</u>	<u>\$ 18,161,546</u>

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 15,121,904
Net pension liability	(4,779,813)
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	59,969,886
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.	481,472
Deferred inflows of resources related to pensions are not reported in the funds.	
LGERS	(43,075)
LEOSSA	(99,180)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,797,776)
Deferred outflows of resources related to pensions are not reported in the funds.	
LGERS	2,840,922
LEOSSA	317,038
Deferred outflows of resources related to OPEB are not reported in the funds.	960,191
Total pension liability	(2,767,698)
OPEB liability	(12,381,046)
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>(9,916,040)</u>
Net position of governmental activities per Exhibit A	<u>\$ 47,906,785</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, 2020

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
Revenues:				
Ad valorem taxes	\$ 12,418,656	\$ -	\$ 118,137	\$ 12,536,793
Other taxes and licenses	4,586,637	-	-	4,586,637
Unrestricted intergovernmental	2,243,297	-	-	2,243,297
Restricted intergovernmental	923,887	4,197,622	2,012,378	7,133,887
Permits and fees	290,594	-	-	290,594
Sales and services	2,106,912	-	-	2,106,912
Investment earnings	139,941	19,487	36,801	196,229
Donations	-	-	80,780	80,780
Miscellaneous	590,403	-	2,500	592,903
Total revenues	<u>23,300,327</u>	<u>4,217,109</u>	<u>2,250,596</u>	<u>29,768,032</u>
Expenditures:				
Current:				
General government	3,344,801	-	8,000	3,352,801
Public safety	12,671,016	-	132,366	12,803,382
Transportation	2,690,194	2,716,963	-	5,407,157
Environmental protection	1,910,821	-	-	1,910,821
Cultural and recreation	3,028,915	6,825	-	3,035,740
Housing and redevelopment	-	3,008,798	3,017,946	6,026,744
Debt service:				
Principal retirement	1,471,629	-	-	1,471,629
Interest and other charges	192,106	-	-	192,106
Total expenditures	<u>25,309,482</u>	<u>5,732,586</u>	<u>3,158,312</u>	<u>34,200,380</u>
Revenues over (under) expenditures	<u>(2,009,155)</u>	<u>(1,515,477)</u>	<u>(907,716)</u>	<u>(4,432,348)</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	12,500	1,796,287	5,108,787
Transfers (to) other funds	(376,861)	-	(1,101,926)	(1,478,787)
Long-term debt issued	945,871	-	-	945,871
Proceeds from sale of assets	1,218	-	-	1,218
Total other financing sources (uses)	<u>3,870,228</u>	<u>12,500</u>	<u>694,361</u>	<u>4,577,089</u>
Net change in fund balances	1,861,073	(1,502,977)	(213,355)	144,741
Fund Balances:				
Beginning of year - July 1	<u>7,600,511</u>	<u>2,490,680</u>	<u>4,885,972</u>	<u>14,977,163</u>
End of year - June 30	<u>\$ 9,461,584</u>	<u>\$ 987,703</u>	<u>\$ 4,672,617</u>	<u>\$ 15,121,904</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, 2020**

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)	\$ 144,741
<p>Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:</p>	
Property taxes	198,717
Grant revenues	(1,623,697)
<p>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.</p>	
	8,609,690
<p>Expenses related to compensated absences, other post-employment benefits, and pension expense that do not require current financial resources and are not reported as expenditures in the governmental funds statement.</p>	
Compensated absences	(2,179)
Pension expense - LGERS	(1,009,516)
Pension expense - LEOSSA	(75,770)
Other post-employment benefits	(84,801)
<p>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.</p>	
	(945,871)
<p>Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.</p>	
	(1,985,545)
Change in accrued interest payable, governmental fund debt	(2,401)
<p>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.</p>	
	<u>1,471,629</u>
Change in net position of governmental activities per Exhibit B	<u>\$ 4,694,997</u>

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

CITY OF SHELBY, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 12,385,000	\$ 12,385,000	\$ 12,418,656	\$ 33,656
Other taxes and licenses	3,984,000	3,984,000	4,586,637	602,637
Unrestricted intergovernmental	2,238,000	2,238,000	2,243,297	5,297
Restricted intergovernmental	792,000	864,000	923,887	59,887
Permits and fees	168,750	168,750	290,594	121,844
Sales and services	2,309,500	2,309,500	2,106,912	(202,588)
Investment earnings	115,000	115,000	139,941	24,941
Miscellaneous	320,500	320,500	590,403	269,903
Total revenues	<u>22,312,750</u>	<u>22,384,750</u>	<u>23,300,327</u>	<u>915,577</u>
Expenditures:				
Current:				
General government	3,681,120	3,980,534	3,344,801	635,733
Public safety	12,985,484	12,997,211	12,671,016	326,195
Transportation	2,896,769	3,493,264	2,690,194	803,070
Environmental protection	2,201,375	2,200,010	1,910,821	289,189
Cultural and recreational	3,152,473	3,337,423	3,028,915	308,508
Debt service:				
Principal retirement	1,475,200	1,475,200	1,471,629	3,571
Interest and other charges	244,400	244,400	192,106	52,294
Total expenditures	<u>26,636,821</u>	<u>27,728,042</u>	<u>25,309,482</u>	<u>2,418,560</u>
Revenues over (under) expenditures	<u>(4,324,071)</u>	<u>(5,343,292)</u>	<u>(2,009,155)</u>	<u>3,334,137</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	3,300,000	3,300,000	-
Transfers (to) other funds	(47,000)	(376,861)	(376,861)	-
Long-term debt issued	945,871	945,871	945,871	-
Proceeds from sale of capital assets	20,000	64,250	1,218	(63,032)
Appropriated fund balance	105,200	1,410,032	-	(1,410,032)
Total other financing sources (uses)	<u>4,324,071</u>	<u>5,343,292</u>	<u>3,870,228</u>	<u>(1,473,064)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,861,073	<u>\$ 1,861,073</u>
Fund Balance:				
Beginning of year - July 1			<u>7,600,511</u>	
End of year - June 30			<u>\$ 9,461,584</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, 2020

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 3,791,166	\$ 2,065,692	\$ 3,961,212	\$ 4,635,484	\$ 2,350,433	\$ 16,803,987
Accounts receivable, net	888,370	847,049	3,529,049	1,161,983	704,388	7,130,839
Advanced to other funds	-	-	100,000	10,000	-	110,000
Due from other governments	116,789	294,245	-	2,524	26,668	440,226
Inventories	473,857	149,810	820,774	453,398	6,940	1,904,779
Prepaid items	27,252	25,039	40,367	14,769	13,321	120,748
Total current assets	5,297,434	3,381,835	8,451,402	6,278,158	3,101,750	26,510,579
Non-current assets:						
Restricted cash and cash equivalents	-	-	594,062	-	41,359	635,421
Advanced to other funds	-	-	1,700,000	880,000	-	2,580,000
Long-term notes receivable	316,392	-	-	-	-	316,392
Capital assets, non-depreciable	28,595,105	29,892,699	608,261	3,503,379	283,024	62,882,468
Capital assets, net	28,730,974	41,051,246	19,383,995	16,709,536	5,082,812	110,958,563
Total non-current assets	57,642,471	70,943,945	22,286,318	21,092,915	5,407,195	177,372,844
Total assets	62,939,905	74,325,780	30,737,720	27,371,073	8,508,945	203,883,423
Deferred Outflows of Resources:						
Contributions to pension plan in						
OPEB deferrals	62,350	74,820	62,350	62,350	24,941	286,811
Pension deferrals	184,432	198,572	147,155	195,410	76,400	801,969
Deferred charge on refunding	155,918	49,384	126,907	41,856	-	374,065
Total deferred outflows of resources	402,700	322,776	336,412	299,616	101,341	1,462,845
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	550,770	992,138	1,370,029	493,474	45,490	3,451,901
Accrued interest payable	94,124	45,286	11,100	14,013	-	164,523
Due to other funds	939	2,304	3,838	3,955	316	11,352
Advanced from other funds	27,250	82,750	-	-	-	110,000
Compensated absences payable	19,504	14,740	9,834	14,353	11,008	69,439
Current portion of long-term debt	2,140,335	2,102,986	297,482	301,610	46,561	4,888,974
Liabilities payable from restricted assets:						
Customer deposits	-	-	594,062	-	41,359	635,421
Total current liabilities	2,832,922	3,240,204	2,286,345	827,405	144,734	9,331,610
Non-current liabilities:						
Advanced from other funds	463,250	2,116,750	-	-	-	2,580,000
Compensated absences payable	58,513	44,220	29,501	43,059	33,025	208,318
Other long-term debt	25,877,103	27,600,205	1,963,814	2,247,826	46,840	57,735,788
Net pension liability	321,899	348,491	256,369	347,538	130,337	1,404,634
Other post-employment benefits	885,105	960,773	809,559	868,688	347,395	3,871,520
Total non-current liabilities	27,605,870	31,070,439	3,059,243	3,507,111	557,597	65,800,260
Total liabilities	30,438,792	34,310,643	5,345,588	4,334,516	702,331	75,131,870
Deferred Inflows of Resources:						
OPEB deferrals	116,739	140,086	116,739	116,739	46,695	536,998
Pension deferrals	1,723	1,642	50	2,524	989	6,928
Total deferred inflows of resources	118,462	141,728	116,789	119,263	47,684	543,926
Net Position:						
Net investment in capital assets	29,464,559	41,290,138	17,857,867	17,705,335	5,272,435	111,590,334
Unrestricted	3,320,792	(1,093,953)	7,753,888	5,511,575	2,587,836	18,080,138
Total net position	\$ 32,785,351	\$ 40,196,185	\$ 25,611,755	\$ 23,216,910	\$ 7,860,271	\$ 129,670,472

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, 2020

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Operating Revenues:						
Charges for services	\$ 5,293,115	\$ 5,677,248	\$ 21,789,052	\$ 16,054,294	\$ 1,520,056	\$ 50,333,765
Other fees	65,630	63,025	500	33,640	43,986	206,781
Other operating revenues	72,563	102,708	3,148,916	49,596	11,123	3,384,906
Total operating revenues	<u>5,431,308</u>	<u>5,842,981</u>	<u>24,938,468</u>	<u>16,137,530</u>	<u>1,575,165</u>	<u>53,925,452</u>
Operating Expenses:						
Administration	804,948	748,508	1,436,070	1,648,592	890,180	5,528,298
Operations and maintenance	756,514	902,194	17,138,178	10,258,707	815,947	29,871,540
Treatment plant	1,494,162	1,743,097	-	-	-	3,237,259
Depreciation	1,124,174	1,340,401	683,976	652,645	317,368	4,118,564
Amortization	17,324	5,487	14,099	4,650	-	41,560
Total operating expenses	<u>4,197,122</u>	<u>4,739,687</u>	<u>19,272,323</u>	<u>12,564,594</u>	<u>2,023,495</u>	<u>42,797,221</u>
Operating income (loss)	<u>1,234,186</u>	<u>1,103,294</u>	<u>5,666,145</u>	<u>3,572,936</u>	<u>(448,330)</u>	<u>11,128,231</u>
Non-Operating Revenues (Expenses):						
Grants	-	-	-	-	622,420	622,420
Refund of interest expense	50,784	20,761	-	5,893	-	77,438
Investment earnings	22,038	22,095	26,334	19,700	7,274	97,441
Interest expense and fiscal charges	(476,255)	(344,504)	(62,187)	(77,680)	(539)	(961,165)
Total non-operating revenues (expenses)	<u>(403,433)</u>	<u>(301,648)</u>	<u>(35,853)</u>	<u>(52,087)</u>	<u>629,155</u>	<u>(163,866)</u>
Income (loss) before capital contributions and transfers	830,753	801,646	5,630,292	3,520,849	180,825	10,964,365
Capital contributions	571,402	(80,614)	-	-	323,211	813,999
Transfers from other funds	773,308	567,711	-	117,907	-	1,458,926
Transfers to other funds	<u>(5,000)</u>	<u>(5,000)</u>	<u>(2,001,618)</u>	<u>(3,077,308)</u>	<u>-</u>	<u>(5,088,926)</u>
Change in net position	2,170,463	1,283,743	3,628,674	561,448	504,036	8,148,364
Net Position:						
Beginning year - July 1	<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>
End of year - June 30	<u>\$ 32,785,351</u>	<u>\$ 40,196,185</u>	<u>\$ 25,611,755</u>	<u>\$ 23,216,910</u>	<u>\$ 7,860,271</u>	<u>\$ 129,670,472</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, 2020

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Cash Flows from Operating Activities:						
Cash received from customers	\$ 5,418,867	\$ 6,115,031	\$ 25,719,595	\$ 16,336,378	\$ 1,243,181	\$ 54,833,052
Cash paid for goods and services	(3,860,039)	(2,250,470)	(17,444,879)	(10,488,607)	(1,331,588)	(35,375,583)
Cash paid to employees	(728,975)	(656,824)	(1,220,015)	(1,558,277)	(324,456)	(4,488,547)
Net cash provided (used) by operating activities	<u>829,853</u>	<u>3,207,737</u>	<u>7,054,701</u>	<u>4,289,494</u>	<u>(412,863)</u>	<u>14,968,922</u>
Cash Flows from Non-Capital Financing Activities:						
Proceeds from operating grants	-	-	-	-	622,420	622,420
Increase (decrease) in due from other funds	91,262	1,042,900	-	15,787	22,179	1,172,128
Transfers from (to) other funds	<u>768,308</u>	<u>562,711</u>	<u>(2,001,618)</u>	<u>(2,959,401)</u>	-	<u>(3,630,000)</u>
Net cash provided (used) by non-capital financing activities	<u>859,570</u>	<u>1,605,611</u>	<u>(2,001,618)</u>	<u>(2,943,614)</u>	<u>644,599</u>	<u>(1,835,452)</u>
Cash Flows from Capital and Related Financing Activities:						
Acquisition and construction of capital assets	(10,692,785)	(13,113,545)	(1,339,624)	(1,138,705)	(351,911)	(26,636,570)
Capital contributions - grants	571,402	(80,614)	-	-	323,211	813,999
Proceeds from issuance of long-term debt	12,085,077	11,214,072	-	87,000	-	23,386,149
Payment on notes receivable	27,445	-	-	-	-	27,445
Principal paid on long-term debt	(1,373,365)	(1,538,987)	(292,411)	(298,332)	(56,010)	(3,559,105)
Interest paid on long-term debt	<u>(427,527)</u>	<u>(355,413)</u>	<u>(63,169)</u>	<u>(78,196)</u>	<u>(539)</u>	<u>(924,844)</u>
Net cash provided (used) for capital and related financing activities	<u>190,247</u>	<u>(3,874,487)</u>	<u>(1,695,204)</u>	<u>(1,428,233)</u>	<u>(85,249)</u>	<u>(6,892,926)</u>
Cash Flows from Investing Activities:						
Interest received from investments	<u>22,038</u>	<u>22,095</u>	<u>26,334</u>	<u>19,700</u>	<u>7,274</u>	<u>97,441</u>
Net increase (decrease) in cash and cash equivalents	1,901,708	960,956	3,384,213	(62,653)	153,761	6,337,985
Cash and Cash Equivalents:						
Beginning of year - July 1	<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>
End of year - June 30	<u>\$ 3,791,166</u>	<u>\$ 2,065,692</u>	<u>\$ 4,555,274</u>	<u>\$ 4,635,484</u>	<u>\$ 2,391,792</u>	<u>\$ 17,439,408</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, 2020

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 1,234,186	\$ 1,103,294	\$ 5,666,145	\$ 3,572,936	\$ (448,330)	\$ 11,128,231
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Amortization	17,324	5,487	14,099	4,650	-	41,560
Depreciation	1,124,174	1,340,401	683,976	652,645	317,368	4,118,564
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(23,175)	272,050	733,380	169,347	(332,482)	819,120
(Increase) decrease in inventories	(48,728)	(28,196)	(8,675)	(9,965)	1,341	(94,223)
(Increase) decrease in prepaids	(9,396)	(2,489)	(29,080)	(3,474)	4,233	(40,206)
Increase (decrease) in accounts payable and accrued liabilities	(1,551,239)	425,506	(100,787)	(216,461)	11,267	(1,431,714)
Increase (decrease) in unearned revenues	10,734	-	13,834	29,642	-	54,210
Increase (decrease) in customer deposits	-	-	33,914	(140)	497	34,271
Increase (decrease) in compensated absences	(3,099)	4,581	(12,254)	(1,285)	2,655	(9,402)
(Increase) decrease in deferred outflows of resources for pensions	26,705	29,220	19,835	31,252	10,305	117,317
Increase (decrease) in net pension liability	49,893	54,593	37,058	58,389	19,252	219,185
Increase (decrease) in deferred inflows of resources for pensions	(3,033)	(3,318)	(2,252)	(3,548)	(1,170)	(13,321)
(Increase) decrease in deferred outflows of resources for OPEB	(18,604)	(22,325)	(18,604)	(18,605)	(7,444)	(85,582)
Increase (decrease) in deferred inflows of resources for OPEB	60,162	72,194	60,162	60,163	24,065	276,746
Increase (decrease) in other post-employment benefits	(36,051)	(43,261)	(36,050)	(36,052)	(14,420)	(165,834)
Net cash provided (used) by operating activities	<u>\$ 829,853</u>	<u>\$ 3,207,737</u>	<u>\$ 7,054,701</u>	<u>\$ 4,289,494</u>	<u>\$ (412,863)</u>	<u>\$ 14,968,922</u>
Non-Cash Investing, Capital, and Financing Activities:						
Refund of interest expense	<u>\$ 50,784</u>	<u>\$ 20,761</u>	<u>\$ -</u>	<u>\$ 5,893</u>	<u>\$ -</u>	<u>\$ 77,438</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2020

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 \$ 307,277

Capital Projects Fund:

Unspent debt proceeds 1,713,897

Raper Roark Trust Fund:

Downtown redevelopment 609,725

Cemetery Fund:

Perpetual care of cemetery 707,872

Total governmental activities \$ 3,338,771

Business-Type Activities:

Water Fund:

Electric Fund:

Customer deposits \$ 594,062

Housing Assistance Fund:

Customer deposits 41,359

Total business-type activities \$ 635,421

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, 2019. 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, 2020

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, 2020

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, 2020

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, 2020.

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, 2020**

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.

	General Fund	Nonmajor Governmental Funds
<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.	\$ 129,606	\$ -
<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.	360,886	30,000
<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.	-	1,317,597
Total	\$ 490,492	\$ 1,347,597

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

	General Fund	Major Capital Projects Fund	Nonmajor SRF/CPF Funds	Permanent Fund
<i>Restricted for Stabilization by State Statute</i> - portion of fund balance that is restricted by state statute [G.S. 159-8(a)].	\$ 3,462,954	\$ 44,744	\$ 990,892	\$ 11,284
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	-	215,226	-
<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.	307,277	-	-	-
<i>Restricted for Transportation</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for capital expenditures.	-	1,713,897	-	-
Total	<u>\$ 3,770,231</u>	<u>\$ 1,758,641</u>	<u>\$ 1,206,118</u>	<u>\$ 11,284</u>

Restricted fund balance differs on Exhibit A from Exhibit C for unspent debt proceeds in the governmental funds of \$1,713,897.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.	\$ -	\$ 199,475

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
<i>Assigned for Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.	\$ 662,000	\$ -
<i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.	-	1,975,313
Total	<u>\$ 662,000</u>	<u>\$ 1,975,313</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.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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)	\$	9,461,584
Less:		
Non-spendable		(490,492)
Stabilization by state statute		<u>(3,462,954)</u>
Available for appropriation	\$	<u>5,508,138</u>

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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the City’s deposits had a carrying amount of \$11,939,959 and a bank balance of \$13,715,566. Of the City’s bank balance, \$1,000,000 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 \$335,265 and a bank balance of \$318,453. 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 \$4,721 at June 30, 2020, and the ABC Board had petty cash of \$7,680.

Investments

At June 30, 2020, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2020</u>	<u>Less Than Six Months</u>	<u>Six Months to Five Years</u>
US Government Agencies	Fair Value - Level 2	\$ 1,887,592	\$ 500,000	\$ 1,387,592
NCCMT - Govt Portfolio	Fair Value - Level 1	8,041,890	N/A	-
NCCMT - Term Portfolio	Fair Value - Level 1	8,214,954	8,214,954	-
Total		<u>\$ 18,144,436</u>	<u>\$ 8,714,954</u>	<u>\$ 1,387,592</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) 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, 2020. 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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 is 10.40%, respectively.

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:

	Governmental Activities	Business-Type Activities	Total
Taxes receivable	\$ 184,000	\$ -	\$ 184,000
Accounts receivable	143,505	2,233,927	2,377,432
Total	\$ 327,505	\$ 2,233,927	\$ 2,561,432

Due from other governments consists of the following at June 30, 2020:

	Governmental Activities	Business-Type Activities	Total
General Fund sales tax	\$ 420,308	\$ -	\$ 420,308
General Fund local option sales tax	1,203,435	-	1,203,435
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	44,191	-	44,191
Nonmajor grants	15,697	-	15,697
Water Fund sales tax	-	116,789	116,789
Sewer Fund sales tax	-	294,245	294,245
Gas Fund sales tax	-	2,524	2,524
Nonmajor fund sales tax	-	846	846
Nonmajor fund other	-	25,822	25,822
Total	\$ 2,342,316	\$ 440,226	\$ 2,782,542

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 5,730,644	\$ 133,500	\$ -	\$ -	\$ 5,864,144
Construction in progress	17,148,854	7,462,619	-	-	24,611,473
Total non-depreciable capital assets	<u>22,879,498</u>	<u>7,596,119</u>	<u>-</u>	<u>-</u>	<u>30,475,617</u>
Depreciable Capital Assets:					
Buildings	17,753,144	-	-	-	17,753,144
Other improvements	14,312,263	-	-	-	14,312,263
Machinery and equipment	8,978,519	679,241	-	(33,900)	9,623,860
Vehicles	10,946,892	334,330	(13,606)	-	11,267,616
Infrastructure	11,484,875	-	-	-	11,484,875
Total depreciable capital assets	<u>63,475,693</u>	<u>1,013,571</u>	<u>(13,606)</u>	<u>(33,900)</u>	<u>64,441,758</u>
Less Accumulated Depreciation:					
Buildings	8,087,349	414,921	-	-	8,502,270
Other improvements	3,724,096	346,957	-	-	4,071,053
Machinery and equipment	7,746,501	497,417	-	(33,900)	8,210,018
Vehicles	8,611,061	572,033	(13,606)	-	9,169,488
Infrastructure	4,840,443	154,217	-	-	4,994,660
Total accumulated depreciation	<u>33,009,450</u>	<u>\$ 1,985,545</u>	<u>\$ (13,606)</u>	<u>\$ (33,900)</u>	<u>34,947,489</u>
Total depreciable capital assets, net	<u>30,466,243</u>				<u>29,494,269</u>
Governmental activities capital assets, net	<u>\$ 53,345,741</u>				<u>\$ 59,969,886</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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

Governmental Activities:

General government	\$ 309,264
Public safety	688,647
Transportation	467,796
Environmental protection	237,994
Cultural and recreational	<u>281,844</u>
Total depreciation expense - governmental activities	<u>\$ 1,985,545</u>

Capital asset activity for business-type activities for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Water Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 184,599	\$ -	\$ -	\$ 184,599
Construction in progress	<u>17,961,250</u>	<u>10,449,256</u>	-	<u>28,410,506</u>
Total non-depreciable capital assets	<u>18,145,849</u>	<u>10,449,256</u>	-	<u>28,595,105</u>
Depreciable Capital Assets:				
Buildings and system	13,653,602	36,047	-	13,689,649
Water extensions	32,838,893	195,575	-	33,034,468
Machinery and equipment	1,607,321	11,907	-	1,619,228
Vehicles	<u>452,074</u>	-	-	<u>452,074</u>
Total depreciable capital assets	<u>48,551,890</u>	<u>243,529</u>	-	<u>48,795,419</u>
Less Accumulated Depreciation:				
Buildings and system	7,969,341	266,159	-	8,235,500
Water extensions	9,377,792	746,776	-	10,124,568
Machinery and equipment	1,255,586	65,950	-	1,321,536
Vehicles	<u>337,552</u>	<u>45,289</u>	-	<u>382,841</u>
Total accumulated depreciation	<u>18,940,271</u>	<u>\$ 1,124,174</u>	<u>\$ -</u>	<u>20,064,445</u>
Total depreciable capital assets, net	<u>29,611,619</u>			<u>28,730,974</u>
Water Fund capital assets, net	<u>\$ 47,757,468</u>			<u>\$ 57,326,079</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
Sewer Fund:					
Non-Depreciable Capital Assets:					
Land	\$ 58,402	\$ -	\$ -	\$ -	\$ 58,402
Construction in progress	<u>16,935,678</u>	<u>12,898,619</u>	<u>-</u>	<u>-</u>	<u>29,834,297</u>
Total non-depreciable capital assets	<u>16,994,080</u>	<u>12,898,619</u>	<u>-</u>	<u>-</u>	<u>29,892,699</u>
Depreciable Capital Assets:					
Buildings and system	16,907,788	156,485	-	-	17,064,273
Sewer extensions	44,500,424	52,246	-	-	44,552,670
Machinery and equipment	2,055,469	6,195	-	33,900	2,095,564
Vehicles	<u>892,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892,462</u>
Total depreciable capital assets	<u>64,356,143</u>	<u>214,926</u>	<u>-</u>	<u>33,900</u>	<u>64,604,969</u>
Less Accumulated Depreciation:					
Buildings and system	8,237,862	294,712	-	-	8,532,574
Sewer extensions	11,162,367	969,571	-	-	12,131,938
Machinery and equipment	1,976,013	40,043	-	33,900	2,049,956
Vehicles	<u>803,180</u>	<u>36,075</u>	<u>-</u>	<u>-</u>	<u>839,255</u>
Total accumulated depreciation	<u>22,179,422</u>	<u>\$ 1,340,401</u>	<u>\$ -</u>	<u>\$ 33,900</u>	<u>23,553,723</u>
Total depreciable capital assets, net	<u>42,176,721</u>				<u>41,051,246</u>
Sewer Fund capital assets, net	<u>\$ 59,170,801</u>				<u>\$ 70,943,945</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Electric Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 75,683	\$ -	\$ -	\$ 75,683
Construction in progress	<u>84,677</u>	<u>447,901</u>	<u>-</u>	<u>532,578</u>
Total non-depreciable capital assets	<u>160,360</u>	<u>447,901</u>	<u>-</u>	<u>608,261</u>
Depreciable Capital Assets:				
Buildings and system	4,240,727	197,420	-	4,438,147
Electric extensions	26,288,805	694,303	-	26,983,108
Machinery and equipment	1,146,837	-	-	1,146,837
Vehicles	<u>1,418,584</u>	<u>-</u>	<u>-</u>	<u>1,418,584</u>
Total depreciable capital assets	<u>33,094,953</u>	<u>891,723</u>	<u>-</u>	<u>33,986,676</u>
Less Accumulated Depreciation:				
Buildings and system	2,238,175	74,186	-	2,312,361
Electric extensions	9,405,875	541,160	-	9,947,035
Machinery and equipment	1,083,177	19,381	-	1,102,558
Vehicles	<u>1,191,478</u>	<u>49,249</u>	<u>-</u>	<u>1,240,727</u>
Total accumulated depreciation	<u>13,918,705</u>	<u>\$ 683,976</u>	<u>\$ -</u>	<u>14,602,681</u>
Total depreciable capital assets, net	<u>19,176,248</u>			<u>19,383,995</u>
Electric Fund capital assets, net	<u>\$ 19,336,608</u>			<u>\$ 19,992,256</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Gas Fund:				
Non-Depreciable Capital Assets:				
Land	\$ 366,839	\$ -	\$ -	\$ 366,839
Construction in progress	<u>2,378,509</u>	<u>758,031</u>	<u>-</u>	<u>3,136,540</u>
Total non-depreciable capital assets	<u>2,745,348</u>	<u>758,031</u>	<u>-</u>	<u>3,503,379</u>
Depreciable Capital Assets:				
Buildings and system	3,075,561	-	-	3,075,561
Gas extensions	26,686,527	299,965	-	26,986,492
Machinery and equipment	1,215,042	-	-	1,215,042
Vehicles	<u>793,146</u>	<u>80,709</u>	<u>-</u>	<u>873,855</u>
Total depreciable capital assets	<u>31,770,276</u>	<u>380,674</u>	<u>-</u>	<u>32,150,950</u>
Less Accumulated Depreciation:				
Buildings and system	504,969	51,377	-	556,346
Sewer extensions	12,450,154	516,753	-	12,966,907
Machinery and equipment	1,182,826	32,216	-	1,215,042
Vehicles	<u>650,820</u>	<u>52,299</u>	<u>-</u>	<u>703,119</u>
Total accumulated depreciation	<u>14,788,769</u>	<u>\$ 652,645</u>	<u>\$ -</u>	<u>15,441,414</u>
Total depreciable capital assets, net	<u>16,981,507</u>			<u>16,709,536</u>
Gas Fund capital assets, net	<u>\$ 19,726,855</u>			<u>\$ 20,212,915</u>
	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Stormwater Fund:				
Depreciable Capital Assets:				
Machinery and equipment	\$ 467,769	\$ -	\$ -	\$ 467,769
Vehicles	<u>53,859</u>	<u>-</u>	<u>-</u>	<u>53,859</u>
Total depreciable capital assets	<u>521,628</u>	<u>-</u>	<u>-</u>	<u>521,628</u>
Less Accumulated Depreciation:				
Machinery and equipment	230,852	71,516	-	302,368
Vehicles	<u>43,985</u>	<u>10,922</u>	<u>-</u>	<u>54,907</u>
Total accumulated depreciation	<u>274,837</u>	<u>\$ 82,438</u>	<u>\$ -</u>	<u>357,275</u>
Total depreciable capital assets, net	<u>246,791</u>			<u>164,353</u>
Stormwater Fund capital assets, net	<u>\$ 246,791</u>			<u>\$ 164,353</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>
Housing Assistance Fund:				
Non-Depreciable Capital Assets:				
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>
Depreciable Capital Assets:				
Buildings and system	9,412,800	-	-	9,412,800
Other improvements	1,339,630	323,211	-	1,662,841
Machinery and equipment	170,212	-	-	170,212
Vehicles	<u>188,738</u>	<u>28,700</u>	<u>-</u>	<u>217,438</u>
Total depreciable capital assets	<u>11,111,380</u>	<u>351,911</u>	<u>-</u>	<u>11,463,291</u>
Less Accumulated Depreciation:				
Buildings and system	5,306,712	201,435	-	5,508,147
Other improvements	692,891	20,971	-	713,862
Machinery and equipment	170,212	-	-	170,212
Vehicles	<u>140,087</u>	<u>12,524</u>	<u>-</u>	<u>152,611</u>
Total accumulated depreciation	<u>6,309,902</u>	<u>\$ 234,930</u>	<u>\$ -</u>	<u>6,544,832</u>
Total depreciable capital assets, net	<u>4,801,478</u>			<u>4,918,459</u>
Housing Assistance Fund capital assets, net	<u>\$ 5,084,502</u>			<u>\$ 5,201,483</u>
 Total business-type capital assets	 <u>\$ 151,323,025</u>			 <u>\$ 173,841,031</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Construction Commitments

The City has active construction projects as of June 30, 2020. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Project Authorizations</u>	<u>Remaining Commitment</u>
Governmental:		
Uptown Streetscape/Ped Improvements	\$ 4,890,975	\$ 342,329
Hanna Property Multi-Purpose Recreation Complex	8,268,800	3,866
Airport T-Hangar project	4,329,998	7,748
Job Ready Shell Building #3	<u>6,024,100</u>	<u>2,649,962</u>
Total	<u>23,513,873</u>	<u>3,003,905</u>
Business-Type:		
<i>Water Fund:</i>		
Farmville Road Water project	12,480,000	36,174
Water treatment plant upgrade	<u>16,953,850</u>	<u>290,784</u>
Total	<u>29,433,850</u>	<u>326,958</u>
<i>Sewer Fund:</i>		
Brushy Creek sewer outfall	500,000	18,075
Compost facility improvements	19,837,400	2,841,434
First Broad Waste Water Treatment Plant Influent project	<u>7,000,000</u>	<u>19,660</u>
Total	<u>27,337,400</u>	<u>2,879,169</u>
<i>Electric Fund:</i>		
WTP Electric Line-Engineering	421,200	19,312
Substation 8 Additional Circuit	<u>414,000</u>	<u>60,292</u>
Total	<u>835,200</u>	<u>79,604</u>
<i>Gas Fund:</i>		
Highway 74 Bypass Section "C" Gas Line Relocation	831,564	13,588
Bypass Section D&E	<u>175,000</u>	<u>82,057</u>
Total	<u>1,006,564</u>	<u>95,645</u>
 Total	 <u>\$ 82,126,887</u>	 <u>\$ 6,385,281</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Capital asset activity for the ABC Board for the year ended June 30, 2020 was as follows:

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Non-Depreciable Capital Assets:				
Land	\$ 182,567	\$ -	\$ -	\$ 182,567
Depreciable Capital Assets:				
Buildings	716,487	15,050	(23,591)	707,946
Office and store equipment	412,564	41,651	(201,209)	253,006
Land improvements	1,950	-	-	1,950
Vehicle	24,250	28,375	(24,250)	28,375
Total depreciable capital assets	<u>1,155,251</u>	<u>85,076</u>	<u>(249,050)</u>	<u>991,277</u>
Less Accumulated Depreciation:				
Buildings	648,279	5,484	(19,077)	634,686
Office and store equipment	336,733	11,741	(200,644)	147,830
Land improvements	302	98	-	400
Vehicle	22,229	2,675	(23,037)	1,867
Total accumulated depreciation	<u>1,007,543</u>	<u>19,998</u>	<u>(242,758)</u>	<u>784,783</u>
Total ABC depreciable capital assets, net	<u>147,708</u>	<u>65,078</u>	<u>(6,292)</u>	<u>206,494</u>
ABC capital assets, net	<u>\$ 330,275</u>	<u>\$ 65,078</u>	<u>\$ (6,292)</u>	<u>\$ 389,061</u>

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, 2020 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 1,963,551	\$ 2,059,840
Accrued gas and electric purchases	-	1,248,961
Accrued payroll liabilities	594,619	143,100
Total accounts payable and accrued liabilities	<u>\$ 2,558,170</u>	<u>\$ 3,451,901</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Long-Term Obligations

All financing arrangements that have an outstanding balance at June 30, 2020 are summarized as follows:

Financing Agreements	Interest Rate	Date Debt Matures	Amount of Original Debt	Balance Outstanding at June 30, 2020							Total Business-Type
				Governmental Activities	Business-Type Activities					Total Business-Type	
					Water Fund	Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund		
Cleveland County	1.68%	03/2022	\$ 183,526	\$ -	\$ -	\$ 36,705	\$ -	\$ -	\$ -	\$ 36,705	
2020 Purchase of equipment	1.42%	2/2025	1,103,671	945,871	12,000	58,800	-	87,000	-	157,800	
2014 DENR	0.00%	5/2034	726,000	-	-	508,201	-	-	-	508,201	
2015 DENR	0.00%	2029	3,130,438	-	-	2,347,829	-	-	-	2,347,829	
2015 DENR	0.00%	2029	9,396,658	-	-	7,517,326	-	-	-	7,517,326	
2016 Purchase of equipment	1.49%	2022	1,333,790	177,193	15,832	8,643	45,876	15,200	11,634	97,185	
2017 Purchase of equipment	1.89%	2022	1,130,000	275,782	33,417	52,260	29,240	17,033	56,391	188,341	
Capital projects	2.83%	2032	7,700,000	6,160,000	-	-	-	-	-	-	
2018 Purchase of equipment	2.39%	2024	1,440,000	773,368	-	8,315	73,684	18,399	10,792	111,190	
2019 DENR	1.53%	2039	15,209,471	-	15,209,471	-	-	-	-	15,209,471	
2020 DENR	0.00%	2040	11,155,272	-	-	11,155,272	-	-	-	11,155,272	
2019 Purchase of equipment	2.95%	2025	479,700	388,324	202,360	5,242	33,200	28,362	14,584	283,748	
Cleveland County	3.25%	2033	11,064,000	-	3,582,860	4,885,714	-	10,148,860	-	9,483,434	
Total			<u>\$ 64,052,526</u>	<u>\$ 8,720,538</u>	<u>\$ 19,055,940</u>	<u>\$ 26,584,307</u>	<u>\$ 182,000</u>	<u>\$ 1,180,854</u>	<u>\$ 93,401</u>	<u>\$ 47,096,502</u>	

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Governmental Activities Long-Term Debt

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2020 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 1,357,058	\$ 230,793	\$ 1,587,851
2022	1,194,336	200,672	1,395,008
2023	1,067,844	183,656	1,251,500
2024	809,711	156,956	966,667
2025	698,256	133,740	831,996
2026-2030	2,566,667	511,451	3,078,118
2031-2032	1,026,666	87,164	1,113,830
Total	\$ 8,720,538	\$ 1,504,432	\$ 10,224,970

The City's outstanding notes from direct placements related to governmental activities is \$8,720,538.

A note of \$945,871, 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 \$177,193, 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 \$275,782, 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, 2020**

A note of \$6,160,000, 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 \$773,368, 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 \$388,324, 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:

Year Ending	Water Fund		
	Principal	Interest	Total
June 30			
2021	\$ 1,142,184	\$ 158,527	\$ 1,300,711
2022	1,128,137	145,342	1,273,479
2023	1,112,783	132,642	1,245,425
2024	1,114,340	120,070	1,234,410
2025	1,073,391	107,489	1,180,880
2026-2030	5,295,225	371,416	5,666,641
2031-2035	4,399,520	159,341	4,558,861
2036-2039	3,790,360	40,000	3,830,360
Total	\$ 19,055,940	\$ 1,234,827	\$ 20,290,767

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Year Ending June 30	Sewer Fund		
	Principal	Interest	Total
2021	\$ 1,695,933	\$ 151,874	\$ 1,847,807
2022	1,688,078	137,788	1,825,866
2023	1,643,656	124,219	1,767,875
2024	1,641,054	111,569	1,752,623
2025	1,639,059	98,962	1,738,021
2026-2030	8,137,815	308,699	8,446,514
2031-2035	6,880,068	37,046	6,917,114
2036	3,258,644	-	3,258,644
Total	\$ 26,584,307	\$ 970,157	\$ 27,554,464

Year Ending June 30	Electric Fund		
	Principal	Interest	Total
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
Total	\$ 182,000	\$ 7,499	\$ 189,499

Year Ending June 30	Gas Fund		
	Principal	Interest	Total
2021	\$ 138,039	\$ 34,096	\$ 172,135
2022	123,630	30,472	154,102
2023	115,689	27,126	142,815
2024	109,911	23,912	133,823
2025	101,580	20,803	122,383
2026-2030	422,855	64,185	487,040
2031-2034	169,150	7,703	176,853
Total	\$ 1,180,854	\$ 208,297	\$ 1,389,151

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Year Ending June 30	Stormwater Fund		
	Principal	Interest	Total
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
Total	\$ 93,401	\$ 3,394	\$ 96,795

The City’s outstanding notes from direct borrowings and direct placements related to business-type activities is \$47,096,502.

The City’s outstanding note from direct placement related to business-type activities of \$36,705 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.

The City’s outstanding note from direct placement related to business-type activities of \$9,483,434 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 \$157,800, 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 \$97,185, 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, 2020

A direct placement note of \$188,341, 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 \$111,190, 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 \$283,748, 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 \$508,201, 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 \$2,347,829, 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 \$7,517,326, 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.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

A direct borrowing note of \$15,209,471, 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.

A direct borrowing note of \$11,155,272, 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.

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, 2020 are as follows:

	<u>Interest Rates</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2020</u>
Combined Enterprise System, Series 2010	6.20%	2025	\$ 8,346,400	\$ 3,351,781
Combined Enterprise System, Series 2013A	2.78%	2029	9,645,000	6,130,000
Combined Enterprise System, Series 2013C	2.69%	2028	3,185,000	1,835,000
Combined Enterprise System, Series 2015	2.50%	2031	2,460,000	1,817,475
Combined Enterprise System, Series 2016	1.95%	2032	3,020,000	2,394,004
Total				<u>\$ 15,528,260</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30	Water Fund		
	Principal	Interest	Total
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	1,130,673	122,868	1,253,541
2026-2030	3,201,845	253,645	3,455,490
2031-2033	440,915	7,936	448,851
Total	\$ 8,961,498	\$ 1,304,224	\$ 10,265,722

Year Ending June 30	Sewer Fund		
	Principal	Interest	Total
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	460,998	42,366	503,364
2026-2030	949,856	57,940	1,007,796
Total	\$ 3,118,884	\$ 451,679	\$ 3,570,563

Year Ending June 30	Electric Fund		
	Principal	Interest	Total
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	230,656	33,900	264,556
2026-2030	988,768	69,686	1,058,454
Total	\$ 2,079,296	\$ 299,819	\$ 2,379,115

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Year Ending June 30	Gas Fund		
	Principal	Interest	Total
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	184,765	19,862	204,627
2026-2030	497,862	32,399	530,261
Total	\$ 1,368,582	\$ 197,506	\$ 1,566,088

The City has pledged future water, sewer, electric, and gas customer revenues, net of specified operating expenses, to repay \$26,656,400 revenue bonds series 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 \$17,781,488. Principal and interest paid for the current year and total customer net revenues were \$2,302,829 and \$15,431,317, 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, 2020 was as follows:

Operating revenues	\$ 52,350,287
Operating expenses*	<u>36,930,970</u>
Net income available for debt service	<u>\$ 15,419,317</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 2,302,829</u>
Debt service coverage ratio	<u>669.58%</u>

*Per rate covenants, this does not include depreciation and amortization expense of \$3,842,756.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Changes in Long-Term Liabilities. Long-term liability activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due</u>
	<u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u>	<u>Within</u>
					<u>One Year</u>
Governmental Activities:					
Direct placement installment debt	\$ 9,246,296	\$ 945,871	\$ (1,471,629)	\$ 8,720,538	\$ 1,357,058
Total pension liability - LEO	2,502,779	264,919	-	2,767,698	-
Compensated absences	1,145,103	614,324	(612,145)	1,147,282	286,821
Net pension liability - LGERS	4,095,147	684,666	-	4,779,813	-
Total OPEB liability	<u>12,936,233</u>	<u>121,620</u>	<u>(676,807)</u>	<u>12,381,046</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 29,925,558</u>	<u>\$ 2,631,400</u>	<u>\$ (2,760,581)</u>	<u>\$ 29,796,377</u>	<u>\$ 1,643,879</u>

	<u>Beginning</u>			<u>Ending</u>	<u>Due</u>
	<u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u>	<u>Within</u>
					<u>One Year</u>
Business-Type Activities:					
Water Fund:					
Revenue bonds	\$ 9,932,265	\$ -	\$ (970,767)	\$ 8,961,498	\$ 998,151
Direct placement & direct borrowing installment debt	7,373,461	12,085,077	(402,598)	19,055,940	1,142,184
Compensated absences	81,116	38,307	(41,406)	78,017	19,504
Net pension liability - LGERS	272,006	49,893	-	321,899	-
Total OPEB liability	<u>921,156</u>	<u>7,897</u>	<u>(43,948)</u>	<u>885,105</u>	<u>-</u>
Water Fund long-term liabilities	<u>\$ 18,580,004</u>	<u>\$ 12,181,174</u>	<u>\$ (1,458,719)</u>	<u>\$ 29,302,459</u>	<u>\$ 2,159,839</u>

Sewer Fund:					
Revenue bonds	\$ 3,514,290	\$ -	\$ (395,406)	\$ 3,118,884	\$ 407,053
Direct placement & direct borrowing installment debt	16,513,816	11,214,072	(1,143,581)	26,584,307	1,695,933
Compensated absences	54,379	43,807	(39,226)	58,960	14,740
Net pension liability - LGERS	293,898	54,593	-	348,491	-
Total OPEB liability	<u>1,004,034</u>	<u>9,477</u>	<u>(52,738)</u>	<u>960,773</u>	<u>-</u>
Sewer Fund long-term liabilities	<u>\$ 21,380,417</u>	<u>\$ 11,321,949</u>	<u>\$ (1,630,951)</u>	<u>\$ 31,071,415</u>	<u>\$ 2,117,726</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Electric Fund:					
Revenue bonds	\$ 2,281,120	\$ -	\$ (201,824)	\$ 2,079,296	\$ 205,216
Direct placement installment debt	272,587	-	(90,587)	182,000	92,266
Compensated absences	51,589	26,161	(38,415)	39,335	9,834
Net pension liability - LGERS	219,311	37,058	-	256,369	-
Total OPEB liability	<u>845,609</u>	<u>7,898</u>	<u>(43,948)</u>	<u>809,559</u>	<u>-</u>
Electric Fund long-term liabilities	<u>\$ 3,670,216</u>	<u>\$ 71,117</u>	<u>\$ (374,774)</u>	<u>\$ 3,366,559</u>	<u>\$ 307,316</u>
Gas Fund:					
Revenue bonds	\$ 1,528,035	\$ -	\$ (159,453)	\$ 1,368,582	\$ 163,571
Direct placement installment debt	1,232,733	87,000	(138,879)	1,180,854	138,039
Compensated absences	58,697	45,133	(46,418)	57,412	14,353
Net pension liability - LGERS	289,149	58,389	-	347,538	-
Total OPEB liability	<u>904,739</u>	<u>7,898</u>	<u>(43,949)</u>	<u>868,688</u>	<u>-</u>
Gas Fund long-term liabilities	<u>\$ 4,013,353</u>	<u>\$ 198,420</u>	<u>\$ (388,699)</u>	<u>\$ 3,823,074</u>	<u>\$ 315,963</u>
Housing Assistance Fund:					
Compensated absences	\$ 32,557	\$ 15,243	\$ (14,299)	\$ 33,501	\$ 8,375
Net pension liability - LGERS	111,085	19,252	-	130,337	-
Total OPEB liability	<u>361,815</u>	<u>3,159</u>	<u>(17,579)</u>	<u>347,395</u>	<u>-</u>
Housing Assistance long-term liabilities	<u>\$ 505,457</u>	<u>\$ 37,654</u>	<u>\$ (31,878)</u>	<u>\$ 511,233</u>	<u>\$ 8,375</u>
Stormwater Fund:					
Direct Placement Installment debt	\$ 149,411	\$ -	\$ (56,010)	\$ 93,401	\$ 46,561
Compensated absences	<u>8,821</u>	<u>6,916</u>	<u>(5,205)</u>	<u>10,532</u>	<u>2,633</u>
Stormwater Fund long-term liabilities	<u>\$ 158,232</u>	<u>\$ 6,916</u>	<u>\$ (61,215)</u>	<u>\$ 103,933</u>	<u>\$ 49,194</u>
Total Business-Type Activities:					
Revenue bonds	\$ 17,255,710	\$ -	\$ (1,727,450)	\$ 15,528,260	\$ 1,773,991
Direct Placement & Direct Borrowing Installment debt	25,542,008	23,386,149	(1,831,655)	47,096,502	3,114,983
Compensated absences	287,159	175,567	(184,969)	277,757	69,439
Net pension liability - LGERS	1,185,449	219,185	-	1,404,634	-
Total OPEB liability	<u>4,037,353</u>	<u>36,329</u>	<u>(202,162)</u>	<u>3,871,520</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 48,307,679</u>	<u>\$ 23,817,230</u>	<u>\$ (3,946,236)</u>	<u>\$ 68,178,673</u>	<u>\$ 4,958,413</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

At June 30, 2020, the City has a legal debt margin of approximately \$122,800,000.

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 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.

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.

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 was 9.70% of compensation for law enforcement officers and 9.01% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Shelby were \$1,412,825 for the year ended June 30, 2020. The ABC Board's contributions to LGERS for the year ended June 30, 2020 were \$31,069.

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, 2020, the City reported a liability of \$6,184,447 for its proportionate share of the net pension liability and the ABC Board reported \$81,108. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, (measurement date) the City's proportion was 0.2265%, which was an increase of 0.00387% from its proportion measured as of June 30, 2018.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

For the year ended June 30, 2020, the City recognized pension expense of \$2,745,519. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,058,934	\$ -
Changes of assumptions	1,007,962	-
Net difference between projected and actual earnings on pension plan investments	150,847	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,323	50,003
City contributions subsequent to the measurement date	<u>1,412,825</u>	-
Total	<u>\$ 3,642,891</u>	<u>\$ 50,003</u>

\$1,412,825 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, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30	Amount
2021	\$ 1,090,134
2022	330,398
2023	586,142
2024	173,389
2025	-
Thereafter	-
Total	<u>\$ 2,180,063</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 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

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2018 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.

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, 2019 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 2019 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.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 14,144,959	\$ 6,184,447	\$ (432,353)

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.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance’s membership consisted of:

Inactive members currently receiving benefits	8
Active members	<u>73</u>
Total	<u><u>81</u></u>

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, 2018 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	3.26 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, 2018 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 ended 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.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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.

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 \$130,807 as benefits came due.

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

At June 30, 2020, the City reported a total pension liability of \$2,767,698. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$219,332.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,064	\$ 20,600
Changes of assumptions and other inputs	135,796	78,580
City benefit payments and administrative expenses subsequent to the measurement date	74,178	-
Total	\$ 317,038	\$ 99,180

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

\$74,178 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 ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
June 30	
2021	\$ 31,568
2022	31,568
2023	37,500
2024	24,137
2025	18,907
Thereafter	-
Total	<u>\$ 143,680</u>

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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	<u>\$ 2,982,924</u>	<u>\$ 2,767,698</u>	<u>\$ 2,570,100</u>

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

	2020
Beginning balance	\$ 2,502,779
Service cost	99,044
Interest on the total pension liability	88,720
Differences between expected and actual experience in the measurement of the total pension liability	130,856
Changes of assumptions or other inputs	77,106
Benefit payments	<u>(130,807)</u>
Ending balance of the total pension liability	<u>\$ 2,767,698</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.

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ended December 31, 2014.

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)	0.22646%	n/a	-
Pension liability	\$ 6,184,447	\$ 2,767,698	\$ 8,952,145
Pension expense	2,745,519	219,332	2,964,851

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Pensions - difference between expected and actual experience	\$ 1,058,934	\$ 107,064	\$ 1,165,998
Net difference between projected and actual investment earnings	150,847	-	150,847
Changes of assumptions	1,007,962	135,796	1,143,758
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	12,323	-	12,323
Benefit payments and administration costs subsequent to the measurement date	<u>1,412,825</u>	<u>74,178</u>	<u>1,487,003</u>
Total	<u>\$ 3,642,891</u>	<u>\$ 317,038</u>	<u>\$ 3,959,929</u>

<u>Deferred Inflows of Resources</u>			
Pensions - difference between expected and actual experience	\$ -	\$ 20,600	\$ 20,600
Changes of assumptions	-	78,580	78,580
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	<u>50,003</u>	-	<u>50,003</u>
Total	<u>\$ 50,003</u>	<u>\$ 99,180</u>	<u>\$ 149,183</u>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 \$770,075 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, 2019, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	58
Active plan members	317
	<hr/>
	375
	<hr/>

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Total OPEB Liability

The City’s total OPEB liability of \$16,252,566 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019 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	3.50 percent
Healthcare Cost Trends:	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50% by 2026

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 16,973,586
Changes for the year:	
Service cost	749,635
Interest	643,340
Differences between expected and actual experience	(1,569,626)
Changes of assumptions or other inputs	334,602
Benefit payments	(878,971)
Net changes	(721,020)
Balance at June 30, 2020	\$ 16,252,566

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by the Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

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, 2019 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, 2020**

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 17,808,428</u>	<u>\$ 16,252,566</u>	<u>\$ 14,859,628</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:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 14,573,201</u>	<u>\$ 16,252,566</u>	<u>\$ 18,241,426</u>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$1,079,356. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,389	\$ 1,384,529
Changes of assumptions and other inputs	295,144	950,245
City benefit payments and administrative expenses subsequent to the measurement date	<u>876,469</u>	<u>-</u>
Total	<u>\$ 1,247,002</u>	<u>\$ 2,334,774</u>

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

\$876,469 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 ending June 30, 2021. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending	
June 30	Amount
2021	\$ (313,616)
2022	(313,616)
2023	(313,616)
2024	(313,616)
2025	(299,163)
Thereafter	<u>(410,614)</u>
Total	<u><u>\$ (1,964,241)</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, 2020**

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	\$ 1,412,825	\$ -
LEOSSA	74,178	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	876,469	-
Differences between expected and actual experience:		
LGERS	1,058,934	-
LEOSSA	107,064	20,600
OPEB	75,389	1,384,529
Changes in assumptions:		
LGERS	1,007,962	-
LEOSSA	135,796	78,580
OPEB	295,144	950,245
Net difference between projected and actual:		
LGERS	150,847	-
Changes in proportion and differences between employer contributions and proportionate share:		
LGERS	12,323	50,003
LEOSSA		
Deferred charge on refunding	374,065	-
Taxes receivable (General Fund)	-	478,058
Taxes receivable (nonmajor funds)	-	3,414
Total	<u>\$ 5,580,996</u>	<u>\$ 2,965,429</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, 2020

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, 2020, 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, 2020**

3. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances and due to/from other funds:		
General Fund	Water Fund	\$ 939
General Fund	Sewer Fund	2,304
General Fund	Electric Fund	3,838
General Fund	Gas Fund	3,955
General Fund	Housing Assistance Fund	316
Electric Fund	Water Fund	490,500
Electric Fund	Sewer Fund	1,309,500
Gas Fund	Sewer Fund	890,000
Total		<u>\$ 2,701,352</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, 2020 was \$890,000. 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, 2020 for the Water and Sewer Funds were \$490,500 and \$1,309,500, respectively. The \$11,352 interfund receivable between the General fund and Water, Sewer, Electric, Gas, and Housing Assistance Funds is due to timing differences and is due and payable in less than a year.

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	\$ 900,000	City's transfer policy - return investment
	Gas Fund	2,400,000	
Capital Projects Fund	General Fund	12,500	Capital purposes - grant match
Nonmajor Special Revenue Fund	General Fund	364,361	Economic development purposes - grant match
	Water Fund	5,000	
	Sewer Fund	5,000	
	Electric Fund	744,618	
	Gas Fund	677,308	
Water Fund	Economic Development	416,308	Economic development incentive
Water Fund	Electric Fund	357,000	Capital purposes
Sewer Fund	Economic Development	567,711	Economic development incentive
Gas Fund	Economic Development	117,907	Economic development incentive
Total		<u>\$ 6,567,713</u>	

CITY OF SHELBY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

4. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following:

Governmental Activities:

Capital assets, net of accumulated depreciation	\$ 59,969,886
Outstanding balance on related debt	(8,720,538)
Unspent debt proceeds	<u>1,713,897</u>
Total governmental activities	<u>\$ 52,963,245</u>

Business-Type Activities:

Water Fund:

Capital assets, net of accumulated depreciation	\$ 57,326,079
Outstanding balance on related debt	(28,017,438)
Deferred charge on refunding	<u>155,918</u>
Total Water	<u>29,464,559</u>

Sewer Fund:

Capital assets, net of accumulated depreciation	70,943,945
Outstanding balance on related debt	(29,703,191)
Deferred charge on refunding	<u>49,384</u>
Total Sewer	<u>41,290,138</u>

Electric Fund:

Capital assets, net of accumulated depreciation	19,992,256
Outstanding balance on related debt	(2,261,296)
Deferred charge on refunding	<u>126,907</u>
Total Electric	<u>17,857,867</u>

Gas Fund:

Capital assets, net of accumulated depreciation	20,212,915
Outstanding balance on related debt	(2,549,436)
Deferred charge on refunding	<u>41,856</u>
Total Gas	<u>17,705,335</u>

Stormwater Fund:

Capital assets, net of accumulated depreciation	164,353
Outstanding balance on related debt	<u>(93,401)</u>
Total Stormwater	<u>70,952</u>

Housing Assistance Fund:

Capital assets, net of accumulated depreciation	<u>5,201,483</u>
-------------------------------------------------	------------------

Total business-type activities	<u>\$ 111,590,334</u>
--------------------------------	-----------------------

CITY OF SHELBY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 were \$13,985,205.

The City is a member of the Isothermal Planning and Development Commission, one of 18 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, 2020.

6. **Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen, which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.



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 THREE FISCAL YEARS**

	Total OPEB Liability		
	2020	2019	2018
Beginning balance	\$ 16,973,586	\$ 16,938,421	\$ 17,227,773
Service cost	749,635	777,437	844,592
Interest on TOL and cash flows	643,340	587,434	507,111
Differences between expected and actual experience	(1,569,626)	83,254	21,481
Changes of assumptions or other inputs	334,602	(530,312)	(896,404)
Benefit payments	(878,971)	(882,648)	(766,132)
Ending balance of the total pension liability	<u>\$ 16,252,566</u>	<u>\$ 16,973,586</u>	<u>\$ 16,938,421</u>
Covered payroll	\$ 13,711,420	\$ 12,728,673	\$ 12,728,673
Total OPEB liability as a percentage of covered payroll	118.53%	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:

Fiscal Year	Rate
2020	3.50%
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 SEVEN FISCAL YEARS*

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Shelby's proportion of the net pension liability (asset) (%)	0.22646%	0.22259%	0.22505%	0.21857%	0.21316%	0.21615%	0.25200%
Shelby's proportion of the net pension liability (asset) (\$)	\$ 6,184,447	\$ 5,280,596	\$ 3,438,141	\$ 4,638,788	\$ 956,648	\$ (1,274,737)	\$ 2,714,525
Shelby's covered payroll	\$ 14,754,447	\$ 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	41.92%	39.04%	25.72%	37.23%	8.04%	(10.82%)	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	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 SEVEN FISCAL YEARS

	Local Government Employees' Retirement System						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,412,825	\$ 1,179,602	\$ 1,046,976	\$ 1,004,436	\$ 855,814	\$ 851,812	\$ 838,951
Contributions in relation to the contractually required contribution	<u>1,412,825</u>	<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>	<u>\$ -</u>
Shelby's covered payroll	\$ 15,390,331	\$ 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	9.18%	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 FOUR FISCAL YEARS

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Beginning balance	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534	\$ 2,215,455
Service cost	99,044	99,145	92,375	95,912
Interest on the total pension liability	88,720	78,603	86,757	78,062
Differences between expected and actual experience in the measurement of the total pension liability	130,856	(25,457)	(8,199)	-
Changes of assumptions or other inputs	77,106	(90,653)	145,177	(54,219)
Benefit payments	(130,807)	(92,591)	(59,912)	(57,676)
Ending balance of the total pension liability	<u>\$ 2,767,698</u>	<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 FOUR FISCAL YEARS**

Law Enforcement Officers' Special Separation Allowance				
	2020	2019	2018	2017
Total pension liability	\$ 2,767,698	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534
Covered payroll	3,688,116	3,459,140	3,568,670	3,526,429
Total pension liability as a percentage of covered payroll	75.04%	72.35%	71.00%	64.58%

Notes to the Schedule:

The 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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Current year	\$ 12,300,000	\$ 12,309,160	\$ 9,160	\$ 10,632,280
Prior years	100,000	115,111	15,111	90,043
Tax discounts	(30,000)	(34,176)	(4,176)	(26,950)
Interest and penalties	15,000	28,561	13,561	38,827
Total	12,385,000	12,418,656	33,656	10,734,200
Other Taxes and Licenses:				
Local option sales tax	3,978,000	4,585,161	607,161	4,535,002
Privilege licenses	6,000	1,476	(4,524)	6,710
Total	3,984,000	4,586,637	602,637	4,541,712
Unrestricted Intergovernmental Revenues:				
Payment in lieu of taxes	9,000	15,331	6,331	14,589
Utility franchise tax	2,000,000	1,918,022	(81,978)	2,023,730
Beer and wine tax	89,000	86,897	(2,103)	86,755
ABC revenue	140,000	223,047	83,047	145,716
Total	2,238,000	2,243,297	5,297	2,270,790
Restricted Intergovernmental Revenues:				
Powell Bill allocation	590,000	586,096	(3,904)	589,753
Federal and state grants	222,000	255,917	33,917	229,093
ABC law enforcement revenue	15,000	38,854	23,854	17,267
Rental vehicle gross receivable tax	37,000	43,020	6,020	47,539
Total	864,000	923,887	59,887	883,652
Permits and Fees:				
Building permits/inspection fees	75,000	157,134	82,134	61,867
Other permits	93,750	133,140	39,390	158,007
Filing fees	-	320	320	400
Total	168,750	290,594	121,844	220,274
Sales and Services:				
Court costs and fees	7,000	8,996	1,996	11,339
Golf cart rentals	46,050	51,191	5,141	44,334
Recreation revenue	292,250	214,224	(78,026)	246,677
Garbage disposal fees	1,284,000	1,294,596	10,596	1,272,796
Recycling fees	241,200	98,110	(143,090)	240,923
Utility late fees	135,000	120,000	(15,000)	159,550
Airport fuel sales	225,000	203,063	(21,937)	207,871
Other rent	79,000	116,732	37,732	59,873
Total	2,309,500	2,106,912	(202,588)	2,243,363

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
Investment Earnings	115,000	139,941	24,941	209,088
Miscellaneous:				
Student resource officer	221,500	221,500	-	221,500
Public nuisance	20,000	157,111	137,111	100,926
Other	79,000	211,792	132,792	32,491
Total	320,500	590,403	269,903	354,917
Total revenues	22,384,750	23,300,327	915,577	21,457,996
Expenditures:				
General Government:				
Mayor and council	98,041	92,014	6,027	78,187
Administration and general	355,046	352,357	2,689	219,815
Finance	616,812	616,796	16	523,434
Purchasing	117,739	110,883	6,856	40,561
Legal	12,200	12,200	-	11,933
Human resources	227,733	165,018	62,715	157,270
City hall	117,200	97,966	19,234	112,350
Building and zoning	491,435	355,758	135,677	259,137
Community development	612,800	584,918	27,882	509,489
Special appropriations	1,331,528	956,891	374,637	797,089
Total	3,980,534	3,344,801	635,733	2,709,265
Public Safety:				
Police department	7,994,775	7,671,187	323,588	7,534,582
Fire department	5,002,436	4,999,829	2,607	5,423,896
Total	12,997,211	12,671,016	326,195	12,958,478
Transportation:				
Streets and highways	1,477,100	1,229,083	248,017	1,170,842
Street maintenance and repairs - Powell Bill	193,900	158,847	35,053	108,108
Street construction and improvement - Powell Bill	885,400	446,629	438,771	312,977
Garage	510,515	480,926	29,589	491,071
Airport	426,349	374,709	51,640	380,076
Total	3,493,264	2,690,194	803,070	2,463,074
Environmental Protection:				
Sanitation	1,910,610	1,718,035	192,575	1,696,812
Recycling	289,400	192,786	96,614	274,277
Total	2,200,010	1,910,821	289,189	1,971,089

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, 2020
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		Variance Over/Under	2019
	Budget	Actual		Actual
Cultural and Recreational:				
Parks and recreation	3,337,423	3,028,915	308,508	2,890,233
Debt Service:				
Principal retirement	1,475,200	1,471,629	3,571	1,604,566
Interest	244,400	192,106	52,294	248,467
Total	1,719,600	1,663,735	55,865	1,853,033
Total expenditures	27,728,042	25,309,482	2,418,560	24,845,172
Revenues over (under) expenditures	(5,343,292)	(2,009,155)	3,334,137	(3,387,176)
Other Financing Sources (Uses):				
Transfers from other funds	3,300,000	3,300,000	-	3,347,000
Transfers (to) other funds	(376,861)	(376,861)	-	(2,103,045)
Long-term debt issued	945,871	945,871	-	479,700
Proceeds from the sale of capital assets	64,250	1,218	(63,032)	33,159
Appropriated fund balance	1,410,032	-	(1,410,032)	-
Total other financing sources (uses)	5,343,292	3,870,228	(1,473,064)	1,756,814
Net change in fund balance	\$ -	1,861,073	\$ 1,861,073	(1,630,362)
Fund Balance:				
Beginning of year - July 1		7,600,511		9,230,873
End of year - June 30		\$ 9,461,584		\$ 7,600,511





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, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
Trail Grant	\$ 258,200	\$ 318,148	\$ -	\$ 318,148
Airport Grant 2011	158,333	147,862	-	147,862
Airport land easement	1,081,575	968,052	101,312	1,069,364
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	(2,015)	83,305
Airport Grant 2014-15 (AP141)	158,333	75,126	-	75,126
CDBG Carolina Suttle	-	1,200	-	1,200
Hanna Property Multi-Purpose Recreation Complex	115,000	107,250	5,000	112,250
Airport T Hanger	4,250,000	167,596	4,074,125	4,241,721
Airport Runway Overlay	2,500,000	2,448,903	-	2,448,903
PSAP Communication addition	1,000,000	920,993	-	920,993
All Aboard! Parks & Rec 2017 NC Connect Grant	250,000	250,000	-	250,000
Holly Oak Playground	100,000	90,000	5,500	95,500
Urgent repair program	300,000	296,717	-	296,717
Uptown Fallen Hero Memorial Park	175,000	159,000	13,700	172,700
Investment earnings	250,000	223,849	19,487	243,336
Total revenues	<u>11,413,107</u>	<u>6,914,720</u>	<u>4,217,109</u>	<u>11,131,829</u>
Expenditures:				
Carolina Thread Trail	450,000	438,263	-	438,263
Airport Grant 2011	166,667	166,667	-	166,667
Airport land easement	1,138,500	1,019,795	105,853	1,125,648
CDBG Catalyst Grant 2011	510,000	507,172	-	507,172
Police department roof	185,000	176,701	-	176,701
FCC Roads Phase II	500,000	460,210	-	460,210
Airport Grant 2012-13	175,000	167,031	-	167,031
Airport Grant 2013-14 (AP131)	90,000	89,811	-	89,811
Airport Grant 2014-15 (AP141)	80,000	79,081	-	79,081
Airport T Hanger	4,340,000	1,921,051	2,418,905	4,339,956
Airport Runway Overlay	2,700,716	2,577,673	-	2,577,673
East Gateway Enhancement Project	436,500	412,743	-	412,743
Hanna Property Multi-Purpose Recreation Complex	8,220,800	8,044,530	162,340	8,206,870
PSAP Communication addition	1,755,000	1,747,325	-	1,747,325
All Aboard! Parks & Rec 2017 NC Connect Grant	332,000	331,643	-	331,643
S. Washington Street	275,000	227,172	29,865	257,037
Holly Oak Playground	108,500	106,839	-	106,839
Uptown Streetscape/Ped Improvements	3,500,000	358,547	3,008,798	3,367,345
Urgent repair program	500,000	343,434	-	343,434
Uptown Fallen Hero Memorial Park	305,000	294,123	6,825	300,948
Total expenditures	<u>25,768,683</u>	<u>19,469,811</u>	<u>5,732,586</u>	<u>25,202,397</u>
Revenues over (under) expenditures	<u>(14,355,576)</u>	<u>(12,555,091)</u>	<u>(1,515,477)</u>	<u>(14,070,568)</u>
Other Financing Sources (Uses):				
Transfers from other funds	6,655,576	7,345,771	12,500	7,358,271
Long-term debt issued	<u>7,700,000</u>	<u>7,700,000</u>	-	<u>7,700,000</u>
Total other financing sources (uses)	<u>14,355,576</u>	<u>15,045,771</u>	<u>12,500</u>	<u>15,058,271</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 2,490,680</u>	<u>\$ (1,502,977)</u>	<u>\$ 987,703</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, 2020

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Assets:				
Cash and cash equivalents	\$ 2,202,865	\$ 1,134,885	\$ -	\$ 3,337,750
Receivables, net:				
Taxes	3,414	-	-	3,414
Accounts	961,898	-	11,284	973,182
Interest	1,041	20	-	1,061
Loans	12,236	-	-	12,236
Due from other governments	15,697	-	-	15,697
Prepays	30,000	-	-	30,000
Cash and cash equivalents - restricted	-	-	1,317,597	1,317,597
Total assets	<u>\$ 3,227,151</u>	<u>\$ 1,134,905</u>	<u>\$ 1,328,881</u>	<u>\$ 5,690,937</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 12,326</u>	<u>\$ 1,002,580</u>	<u>\$ -</u>	<u>\$ 1,014,906</u>
Deferred Inflows of Resources:				
Taxes receivable	<u>3,414</u>	<u>-</u>	<u>-</u>	<u>3,414</u>
Fund Balances:				
Non-spendable:				
Perpetual	-	-	1,317,597	1,317,597
Prepays	30,000	-	-	30,000
Restricted:				
Stabilization by state statute	990,872	20	11,284	1,002,176
Public safety	215,226	-	-	215,226
Committed:				
Capital projects	-	199,475	-	199,475
Assigned:				
Economic development	1,975,313	-	-	1,975,313
Unassigned	-	(67,170)	-	(67,170)
Total fund balances	<u>3,211,411</u>	<u>132,325</u>	<u>1,328,881</u>	<u>4,672,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,227,151</u>	<u>\$ 1,134,905</u>	<u>\$ 1,328,881</u>	<u>\$ 5,690,937</u>

CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2020**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
Revenues:				
Ad valorem taxes	\$ 118,137	\$ -	\$ -	\$ 118,137
Restricted intergovernmental	366,660	1,645,718	-	2,012,378
Investment earnings	35,502	668	631	36,801
Miscellaneous	2,500	-	-	2,500
Donations	-	-	80,780	80,780
Total revenues	<u>522,799</u>	<u>1,646,386</u>	<u>81,411</u>	<u>2,250,596</u>
Expenditures:				
General government	-	-	8,000	8,000
Public safety	132,366	-	-	132,366
Housing and redevelopment	1,287,914	1,730,032	-	3,017,946
Total expenditures	<u>1,420,280</u>	<u>1,730,032</u>	<u>8,000</u>	<u>3,158,312</u>
Revenues over (under) expenditures	<u>(897,481)</u>	<u>(83,646)</u>	<u>73,411</u>	<u>(907,716)</u>
Other Financing Sources (Uses):				
Transfers from other funds	1,796,287	-	-	1,796,287
Transfers (to) other funds	<u>(1,101,926)</u>	<u>-</u>	<u>-</u>	<u>(1,101,926)</u>
Total other financing sources (uses)	<u>694,361</u>	<u>-</u>	<u>-</u>	<u>694,361</u>
Net change in fund balances	(203,120)	(83,646)	73,411	(213,355)
Fund Balances:				
Beginning of year - July 1	<u>3,414,531</u>	<u>215,971</u>	<u>1,255,470</u>	<u>4,885,972</u>
End of year - June 30	<u>\$ 3,211,411</u>	<u>\$ 132,325</u>	<u>\$ 1,328,881</u>	<u>\$ 4,672,617</u>

CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2020

	Emergency Telephone System Fund	Economic Development Commission Fund	Total Nonmajor Special Revenue Funds
Assets:			
Cash and cash equivalents	\$ 215,226	\$ 1,987,639	\$ 2,202,865
Receivables, net:			
Taxes	-	3,414	3,414
Accounts	9,933	951,965	961,898
Interest	-	1,041	1,041
Loans	-	12,236	12,236
Prepaid items	-	30,000	30,000
Due from other governments	-	15,697	15,697
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 225,159</u>	<u>\$ 3,001,992</u>	<u>\$ 3,227,151</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 12,326</u>	<u>\$ 12,326</u>
Deferred Inflows of Resources:			
Taxes receivable	<u>-</u>	<u>3,414</u>	<u>3,414</u>
Fund Balances:			
Non-spendable:			
Prepays	-	30,000	30,000
Restricted:			
Stabilization by state statute	9,933	980,939	990,872
Public safety	215,226	-	215,226
Assigned:			
Economic development	-	1,975,313	1,975,313
Total fund balances	<u>225,159</u>	<u>2,986,252</u>	<u>3,211,411</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 225,159</u>	<u>\$ 3,001,992</u>	<u>\$ 3,227,151</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, 2020**

	Emergency Telephone System Fund	Economic Development Commission Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Ad valorem taxes	\$ -	\$ 118,137	\$ 118,137
Restricted intergovernmental	119,189	247,471	366,660
Investment earnings	-	35,502	35,502
Miscellaneous income	-	2,500	2,500
Total revenues	<u>119,189</u>	<u>403,610</u>	<u>522,799</u>
Expenditures:			
Public safety	132,366	-	132,366
Housing and redevelopment	-	1,287,914	1,287,914
Total expenditures	<u>132,366</u>	<u>1,287,914</u>	<u>1,420,280</u>
Revenues over (under) expenditures	<u>(13,177)</u>	<u>(884,304)</u>	<u>(897,481)</u>
Other Financing Sources (Uses):			
Transfers from other funds	-	1,796,287	1,796,287
Transfers (to) other funds	-	(1,101,926)	(1,101,926)
Total other financing sources (uses)	<u>-</u>	<u>694,361</u>	<u>694,361</u>
Net change in fund balances	(13,177)	(189,943)	(203,120)
Fund Balances:			
Beginning of year - July 1	<u>238,336</u>	<u>3,176,195</u>	<u>3,414,531</u>
End of year - June 30	<u>\$ 225,159</u>	<u>\$ 2,986,252</u>	<u>\$ 3,211,411</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, 2020

	<u>2020</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Restricted intergovernmental	\$ 107,000	\$ 119,189	\$ 12,189
Expenditures:			
Public safety:			
Software	20,000	196	19,804
Furniture	500	-	500
Travel and training	3,000	808	2,192
Hardware	62,200	63,615	(1,415)
Phone system	76,500	67,747	8,753
Total expenditures	<u>162,200</u>	<u>132,366</u>	<u>29,834</u>
Revenues over (under) expenditures	(55,200)	(13,177)	42,023
Other Financing Sources (Uses):			
Appropriated fund balance	<u>55,200</u>	<u>-</u>	<u>(55,200)</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,177)</u>	<u>\$ (13,177)</u>
Fund Balance:			
Beginning of year - July 1		<u>238,336</u>	
End of year - June 30		<u>\$ 225,159</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, 2020

	2020		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Ad valorem taxes	\$ 114,950	\$ 118,137	\$ 3,187
Restricted intergovernmental	181,000	247,471	66,471
Investment earnings	5,500	35,502	30,002
Miscellaneous income	2,000	9,599	7,599
Total revenues	<u>303,450</u>	<u>410,709</u>	<u>107,259</u>
Expenditures:			
Housing and redevelopment	<u>1,381,311</u>	<u>1,287,914</u>	<u>93,397</u>
Revenues over (under) expenditures	<u>(1,077,861)</u>	<u>(877,205)</u>	<u>200,656</u>
Other Financing Sources (Uses):			
Transfers from other funds	1,796,287	1,796,287	-
Transfers (to) other funds	(1,101,926)	(1,101,926)	-
Appropriated fund balance	<u>383,500</u>	<u>-</u>	<u>(383,500)</u>
Total other financing sources (uses)	<u>1,077,861</u>	<u>694,361</u>	<u>(383,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>(182,844)</u>	<u>\$ (182,844)</u>
Reconciliation of Budgetary Basis with Modified Accrual Basis:			
Payment received on notes receivable		<u>(7,099)</u>	
Net change in fund balance (deficit), modified accrual basis		(189,943)	
Fund Balance:			
Beginning of year - July 1		<u>3,176,195</u>	
End of year - June 30		<u>\$ 2,986,252</u>	

CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	<u>Economic Development Project Fund</u>	<u>Economic Development Reserve Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets:			
Cash and cash equivalents	\$ 935,410	\$ 199,475	\$ 1,134,885
Interest receivable	<u>20</u>	<u>-</u>	<u>20</u>
Total assets	<u>\$ 935,430</u>	<u>\$ 199,475</u>	<u>\$ 1,134,905</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 1,002,580</u>	<u>\$ -</u>	<u>\$ 1,002,580</u>
Fund Balances:			
Restricted:			
Stabilization by state statute	20	-	20
Committed	-	199,475	199,475
Unassigned	<u>(67,170)</u>	<u>-</u>	<u>(67,170)</u>
Total fund balances	<u>(67,150)</u>	<u>199,475</u>	<u>132,325</u>
Total liabilities and fund balances	<u>\$ 935,430</u>	<u>\$ 199,475</u>	<u>\$ 1,134,905</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, 2020**

	Economic Development Project Fund	Economic Development Reserve Fund	Total Nonmajor Capital Project Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Restricted intergovernmental	\$ 1,645,718	\$ -	\$ 1,645,718
Investment earnings	668	-	668
Total revenues	<u>1,646,386</u>	<u>-</u>	<u>1,646,386</u>
Expenditures:			
Redevelopment	<u>1,730,032</u>	<u>-</u>	<u>1,730,032</u>
Net change in fund balances	(83,646)	-	(83,646)
Fund Balances:			
Beginning of year - July 1	<u>16,496</u>	<u>199,475</u>	<u>215,971</u>
End of year - June 30	<u><u>\$ (67,150)</u></u>	<u><u>\$ 199,475</u></u>	<u><u>\$ 132,325</u></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, 2020

	Project Authorization	Actual		
		Prior Years	Current Year	Total
Revenues:				
County, local grants	\$ 8,330,757	\$ 2,233,476	\$ 1,645,473	\$ 3,878,949
Restricted intergovernmental	4,423,000	113,085	245	113,330
Investment earnings	-	1,987	668	2,655
Total revenues	<u>12,753,757</u>	<u>2,348,548</u>	<u>1,646,386</u>	<u>3,994,934</u>
Expenditures:				
Payment to Cleveland County	700,000	349,738	-	349,738
Foothills Farmers Market	2,160,000	1,059,359	-	1,059,359
Foothills Commerce Center Mass Grading	2,375,000	1,167,528	-	1,167,528
Washburn Switch Business Park Roadway	438,210	203,758	-	203,758
FCC job ready shell building #2	3,400,000	2,953,095	-	2,953,095
FCC job ready shell building #3	1,734,100	151,858	1,581,005	1,732,863
NS Rail Trail Corridor	5,571,500	71,769	149,027	220,796
Total expenditures	<u>16,378,810</u>	<u>5,957,105</u>	<u>1,730,032</u>	<u>7,687,137</u>
Revenues over (under) expenditures	(3,625,053)	(3,608,557)	(83,646)	(3,692,203)
Other Financing Sources (Uses):				
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>\$ 16,496</u>	<u>\$ (83,646)</u>	<u>\$ (67,150)</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, 2020

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Other Financing Sources (Uses):				
Transfers (to) other funds	\$ (1,500,000)	\$ (1,500,000)	\$ -	\$ (1,500,000)
Proceeds from sale of assets	<u>1,500,000</u>	<u>1,699,475</u>	-	<u>1,699,475</u>
Total other financing sources (uses)	<u>-</u>	<u>199,475</u>	<u>-</u>	<u>199,475</u>
 Net change in fund balance	 <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, 2020

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
Assets:			
Accounts receivable, net	\$ 11,284	\$ -	\$ 11,284
Cash and cash equivalents - restricted	<u>609,725</u>	<u>707,872</u>	<u>1,317,597</u>
Total assets	<u>\$ 621,009</u>	<u>\$ 707,872</u>	<u>\$ 1,328,881</u>
Fund Balances:			
Non-spendable:			
Perpetual	\$ 609,725	\$ 707,872	\$ 1,317,597
Restricted for stabilization by state statute	<u>11,284</u>	<u>-</u>	<u>11,284</u>
Total fund balances	<u>\$ 621,009</u>	<u>\$ 707,872</u>	<u>\$ 1,328,881</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, 2020**

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
Revenues:			
Investment earnings	\$ 631	\$ -	\$ 631
Donations	<u>3,000</u>	<u>77,780</u>	<u>80,780</u>
Total revenues	<u>3,631</u>	<u>77,780</u>	<u>81,411</u>
Expenditures:			
General government	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Net change in fund balances	(4,369)	77,780	73,411
Fund Balances:			
Beginning of year - July 1	<u>625,378</u>	<u>630,092</u>	<u>1,255,470</u>
End of year - June 30	<u>\$ 621,009</u>	<u>\$ 707,872</u>	<u>\$ 1,328,881</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 4,960,000	\$ 5,293,115	\$ 333,115
Water taps	40,000	62,750	22,750
Water cutoffs	4,000	2,880	(1,120)
Other	78,000	100,008	22,008
Total operating revenues	<u>5,082,000</u>	<u>5,458,753</u>	<u>376,753</u>
Non-operating revenues:			
Grant - refund of interest expense	50,000	50,784	784
Investment earnings	1,000	587	(413)
Total non-operating revenues	<u>51,000</u>	<u>51,371</u>	<u>371</u>
Total revenues	<u>5,133,000</u>	<u>5,510,124</u>	<u>377,124</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	745,866	728,976	16,890
Operations	781,255	631,597	149,658
Maintenance and repairs	188,550	124,916	63,634
Treatment plant	1,688,511	1,494,162	194,349
Capital outlay	317,757	243,529	74,228
Total costs of sales and services	<u>3,721,939</u>	<u>3,223,180</u>	<u>498,759</u>
Debt service:			
Principal retirement	1,403,571	1,373,365	30,206
Interest	457,737	476,255	(18,518)
Total debt service	<u>1,861,308</u>	<u>1,849,620</u>	<u>11,688</u>
Total operating expenditures	<u>5,583,247</u>	<u>5,072,800</u>	<u>510,447</u>
Revenue over (under) expenditures	<u>(450,247)</u>	<u>437,324</u>	<u>887,571</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	416,308	416,308	-
Intrafund transfers	(5,000)	(5,000)	-
Long-term debt issued	12,000	12,000	-
Appropriated fund balance	26,939	-	(26,939)
Total other financing sources (uses)	<u>450,247</u>	<u>423,308</u>	<u>(26,939)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>860,632</u>	<u>\$ 860,632</u>

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

Reconciling items:

Debt principal	1,373,365
Long-term debt issued	(12,000)
Capital outlay	243,529
Change in compensated absences	3,099
Change in other post-employment benefits	36,051
Change in deferred outflows of resources - OPEB	18,604
Change in deferred inflows of resources - OPEB	(60,162)
Change in net pension liability	(49,893)
Change in deferred outflows of resources - pension	(26,705)
Change in deferred inflows of resources - pension	3,033
Payment on notes receivable	(27,445)
Depreciation	(1,124,174)
Amortization	(17,324)
Water Capital Projects Fund activity	592,853
Water Capital Projects Fund transfers in (out)	<u>357,000</u>
Total reconciling items	<u>1,309,831</u>
Change in net position	<u>\$ 2,170,463</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, 2020

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Capital Grants:				
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	8,500,000	7,833,599	571,402	8,405,001
Project #822 - Eastside Water Tank	-	5,867	-	5,867
Investment earnings	-	120,515	21,451	141,966
Total revenues	<u>9,066,220</u>	<u>8,424,902</u>	<u>592,853</u>	<u>9,017,755</u>
Expenditures:				
Project #822 - Eastside Water Tank	2,607,000	2,285,726	-	2,285,726
Project #829 - Plato Lee Water Line Relocation	358,000	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	3,500,000	3,377,251	-	3,377,251
Project #834 - Farmville Road Water Project	12,480,000	11,326,510	575,303	11,901,813
Project #835 - Uptown Water Improvements	220,000	186,279	-	186,279
Project #836 - Water Treatment Plant Upgrade	18,000,000	6,634,738	9,873,953	16,508,691
Project #838 - Uptown Water Infrastructure Replacement	2,200,000	2,150,036	-	2,150,036
Total expenditures	<u>40,066,220</u>	<u>26,786,047</u>	<u>10,449,256</u>	<u>37,235,303</u>
Revenues over (under) expenditures	<u>(31,000,000)</u>	<u>(18,361,145)</u>	<u>(9,856,403)</u>	<u>(28,217,548)</u>
Other Financing Sources (Uses):				
Intrafund transfers	5,100,000	4,757,043	357,000	5,114,043
Long-term debt issued	25,900,000	12,796,394	12,073,077	24,869,471
Total other financing sources (uses)	<u>31,000,000</u>	<u>17,553,437</u>	<u>12,430,077</u>	<u>29,983,514</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (807,708)</u>	<u>\$ 2,573,674</u>	<u>\$ 1,765,966</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 5,375,000	\$ 5,677,248	\$ 302,248
Other fees	40,000	63,025	23,025
Other operating revenues	52,000	102,708	50,708
Total operating revenue	<u>5,467,000</u>	<u>5,842,981</u>	<u>375,981</u>
Non-operating revenues:			
Grant - refund of interest expense	22,000	20,761	(1,239)
Investment earnings	1,000	214	(786)
Total non-operating revenues	<u>23,000</u>	<u>20,975</u>	<u>(2,025)</u>
Total revenues	<u>5,490,000</u>	<u>5,863,956</u>	<u>373,956</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	681,276	656,824	24,452
Line operation	698,767	665,899	32,868
Maintenance and repairs	357,791	236,294	121,497
Treatment plant	1,822,171	1,743,098	79,073
Capital outlay	470,780	214,926	255,854
Total costs of sales and services	<u>4,030,785</u>	<u>3,517,041</u>	<u>513,744</u>
Debt service:			
Principal retirement	1,807,156	1,538,987	268,169
Interest	295,555	344,504	(48,949)
Total debt service	<u>2,102,711</u>	<u>1,883,491</u>	<u>219,220</u>
Total operating expenditures	<u>6,133,496</u>	<u>5,400,532</u>	<u>732,964</u>
Revenues over (under) expenditures	<u>(643,496)</u>	<u>463,424</u>	<u>1,106,920</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Intrafund transfers	567,711	567,711	-
Transfers (to) other funds	(5,000)	(5,000)	-
Long-term debt issued	58,800	58,800	-
Appropriated fund balance	21,985	-	(21,985)
Total other financing sources (uses)	<u>643,496</u>	<u>621,511</u>	<u>(21,985)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,084,935</u>	<u>\$ 1,084,935</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Long-term debt issued		(58,800)	
Debt principal		1,538,987	
Capital outlay		214,926	
Change in compensated absences		(4,581)	
Change in other post-employment benefits		43,261	
Change in deferred outflows of resources - OPEB		22,325	
Change in deferred inflows of resources - OPEB		(72,194)	
Change in net pension liability		(54,593)	
Change in deferred outflows of resources - pension		(29,220)	
Change in deferred inflows of resources - pension		3,318	
Depreciation		(1,340,401)	
Amortization		(5,487)	
Sewer Capital Projects Fund activity		<u>(58,733)</u>	
Total reconciling items		<u>198,808</u>	
Change in net position		<u>\$ 1,283,743</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, 2020

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Project #868 - Brushy Creek sewer outfall	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Project #871 - Westside sewer improvements	5,500,000	5,500,000	-	5,500,000
Project #872 - First Broad WWTP influent project	4,500,000	4,000,000	(88,114)	3,911,886
Project #874 - Sewer Asset Inventory & Assessment	150,000	142,500	7,500	150,000
Investment earnings	-	178,200	21,881	200,081
Total revenues	<u>10,400,000</u>	<u>10,070,700</u>	<u>(58,733)</u>	<u>10,011,967</u>
Expenditures:				
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	16,000,000	2,720,985	12,605,855	15,326,840
Project #870 - Huesker Sewer Extension	37,800	27,181	-	27,181
Project #871 - Westside sewer improvements	7,220,820	6,868,653	271,980	7,140,633
Project #872 - First Broad WWTP influent project	7,000,000	6,779,579	20,784	6,800,363
Project #874 - Sewer Asset Inventory & Assessment	152,250	152,250	-	152,250
Project #875 - Uptown Sewer Infrastructure Replacement	1,200,000	1,199,998	-	1,199,998
Total expenditures	<u>46,005,510</u>	<u>31,268,841</u>	<u>12,898,619</u>	<u>44,167,460</u>
Revenues over (under) expenditures	<u>(35,605,510)</u>	<u>(21,198,141)</u>	<u>(12,957,352)</u>	<u>(34,155,493)</u>
Other Financing Sources (Uses):				
Transfers from other funds	305,510	572,150	-	572,150
Intrafund transfers to (from) other funds	2,300,000	2,300,354	-	2,300,354
Long-term debt issued	33,000,000	18,227,098	11,155,272	29,382,370
Total other financing sources (uses)	<u>35,605,510</u>	<u>21,099,602</u>	<u>11,155,272</u>	<u>32,254,874</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (98,539)</u>	<u>\$ (1,802,080)</u>	<u>\$ (1,900,619)</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 22,180,000	\$ 21,789,052	\$ (390,948)
Other fees	-	500	500
Other operating revenues	219,955	3,148,916	2,928,961
Total operating revenue	<u>22,399,955</u>	<u>24,938,468</u>	<u>2,538,513</u>
Non-Operating Revenues:			
Investment earnings	<u>9,000</u>	<u>17,846</u>	<u>8,846</u>
Total revenues	<u>22,408,955</u>	<u>24,956,314</u>	<u>2,547,359</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	1,415,435	1,388,176	27,259
Line operation	18,049,520	17,138,177	911,343
Capital outlay	1,968,871	891,723	1,077,148
Total costs of sales and services	<u>21,433,826</u>	<u>19,418,076</u>	<u>2,015,750</u>
Debt service:			
Principal repayment	288,000	292,411	(4,411)
Interest and fees	70,000	62,187	7,813
Total debt service	<u>358,000</u>	<u>354,598</u>	<u>3,402</u>
Total expenditures	<u>21,791,826</u>	<u>19,772,674</u>	<u>2,019,152</u>
Revenues over (under) expenditures	<u>617,129</u>	<u>5,183,640</u>	<u>4,566,511</u>
Other Financing Sources (Uses):			
Transfers to other funds	(2,001,618)	(2,001,618)	-
Intrafund transfers	(414,000)	(414,000)	-
Appropriated fund balance	1,798,489	-	(1,798,489)
Total other financing sources (uses)	<u>(617,129)</u>	<u>(2,415,618)</u>	<u>(1,798,489)</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	2,768,022	\$ 2,768,022
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Debt principal		292,411	
Capital outlay		891,723	
Change in compensated absences		12,254	
Change in other post-employment benefits		36,050	
Change in deferred outflows of resources - OPEB		18,604	
Change in deferred inflows of resources - OPEB		(60,162)	
Change in net pension liability		(37,058)	
Change in deferred outflows of resources - pension		(19,835)	
Change in deferred inflows of resources - pension		2,252	
Depreciation		(683,976)	
Amortization		(14,099)	
Electric Capital Projects Fund activity		8,488	
Electric Capital Projects Fund intrafund transfer		414,000	
Total reconciling items		<u>860,652</u>	
Change in net position		<u>\$ 3,628,674</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, 2020

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Investment earnings	\$ -	\$ 149,621	\$ 8,488	\$ 158,109
Total revenues	-	149,621	8,488	158,109
Expenditures:				
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	1,325,305	-	1,325,305
Project #870 - Substation 11 Additional Circuit	180,000	96,659	-	96,659
Project #871 - Joe's Lake Road Electric Relocation	134,294	65,404	-	65,404
Project #872 - Scada System Upgrade Project	96,000	27,326	54,677	82,003
Project #873 - Marion/Peach/Cherryville Project	75,315	38,018	3,173	41,191
Project #874 - Electric Circuit 104	122,585	13,528	62,512	76,040
Project #875 - WTP Electric Line Construction	421,200	2,521	319,338	321,859
Project #876 - Substation 8 Additional Circuit	-	-	8,200	8,200
Total expenditures	3,060,394	2,130,029	447,900	2,577,929
Revenues over (under) expenditures	(3,060,394)	(1,980,408)	(439,412)	(2,419,820)
Other Financing Sources (Uses):				
Transfers from other funds	3,060,394	3,220,394	414,000	3,634,394
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,239,986	\$ (25,412)	\$ 1,214,574

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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 15,900,000	\$ 16,054,294	\$ 154,294
Other fees	30,000	33,640	3,640
Other operating revenues	76,000	49,596	(26,404)
Total operating revenue	<u>16,006,000</u>	<u>16,137,530</u>	<u>131,530</u>
Non-operating revenues:			
Grant - refund of interest expense	3,600	5,893	2,293
Investment earnings	10,000	17,150	7,150
Total non-operating revenues	<u>13,600</u>	<u>23,043</u>	<u>9,443</u>
Total revenues	<u>16,019,600</u>	<u>16,160,573</u>	<u>140,973</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	1,671,133	1,556,993	114,140
Line operation	11,232,847	10,259,992	972,855
Capital outlay	880,411	380,674	499,737
Total costs of sales and services	<u>13,784,391</u>	<u>12,197,659</u>	<u>1,586,732</u>
Debt service:			
Principal repayment	298,561	298,332	229
Interest and fees	88,346	77,680	10,666
Total debt service	<u>386,907</u>	<u>376,012</u>	<u>10,895</u>
Total expenditures	<u>14,171,298</u>	<u>12,573,671</u>	<u>1,597,627</u>
Revenues over (under) expenditures	<u>1,848,302</u>	<u>3,586,902</u>	<u>1,738,600</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Other Financing Sources (Uses):			
Transfers from other funds	117,907	117,907	-
Transfers to other funds	(3,077,308)	(3,077,308)	-
Long-term debt issued	87,000	87,000	-
Appropriated fund balance	<u>1,024,099</u>	<u>-</u>	<u>(1,024,099)</u>
Total other financing sources (uses)	<u>(1,848,302)</u>	<u>(2,872,401)</u>	<u>(1,024,099)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>714,501</u>	<u>\$ 714,501</u>

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

Debt principal	298,332
Long-term debt issued	(87,000)
Capital outlay	380,674
Change in compensated absences	1,285
Change in other post-employment benefits	36,052
Change in deferred outflows of resources - OPEB	18,605
Change in deferred inflows of resources - OPEB	(60,163)
Change in net pension liability	(58,389)
Change in deferred outflows of resources - pension	(31,252)
Change in deferred inflows of resources - pension	3,548
Depreciation	(652,645)
Amortization	(4,650)
Gas Capital Project Fund interest	<u>2,550</u>
Total reconciling items	<u>(153,053)</u>
Change in net position	<u>\$ 561,448</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, 2020

	Project Authorization	Actual		Total
		Prior Years	Current Year	
Revenues:				
Project #879 - Artee Washburn Road gas line relocation	\$ 492,500	\$ 261,738	\$ -	\$ 261,738
Project #883 - Farmville Road Gas Line Loop	500,000	500,000	-	500,000
Investment earnings	-	119,933	2,550	122,483
Total revenues	<u>992,500</u>	<u>881,671</u>	<u>2,550</u>	<u>884,221</u>
Expenditures:				
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	539,363	350,066	889,429
Project #885 - Highway 74 bypass sections "D" and "E" gas line relocation	175,000	90,561	2,383	92,944
Project #886 - Marion/Peach/Cherryville gas line relocation	533,024	72,573	383,820	456,393
Project #883 - Farmville Road Gas Line Loop	2,508,500	2,462,607	-	2,462,607
Project #884 - Joe's Lake Road Gas Line Relocation	302,126	235,788	21,762	257,550
Total expenditures	<u>5,559,269</u>	<u>4,216,130</u>	<u>758,031</u>	<u>4,974,161</u>
Revenues over (under) expenditures	<u>(4,566,769)</u>	<u>(3,334,459)</u>	<u>(755,481)</u>	<u>(4,089,940)</u>
Other Financing Sources (Uses):				
Intrafund transfers	2,646,769	2,646,769	-	2,646,769
Long-term debt issued	1,898,100	1,184,000	-	1,184,000
Appropriated fund balance	21,900	-	-	-
Total other financing sources (uses)	<u>4,566,769</u>	<u>3,830,769</u>	<u>-</u>	<u>3,830,769</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 496,310</u>	<u>\$ (755,481)</u>	<u>\$ (259,171)</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 554,189	\$ 1,796,244	\$ 2,350,433
Accounts receivable, net	123,374	581,014	704,388
Due from other governments	846	25,822	26,668
Inventories	6,940	-	6,940
Prepaid items	7,943	5,378	13,321
Total current assets	<u>693,292</u>	<u>2,408,458</u>	<u>3,101,750</u>
Non-current assets:			
Restricted cash and cash equivalents	-	41,359	41,359
Capital assets, non-depreciable	-	283,024	283,024
Capital assets, net	164,353	4,918,459	5,082,812
Total non-current assets	<u>164,353</u>	<u>5,242,842</u>	<u>5,407,195</u>
Total assets	<u>857,645</u>	<u>7,651,300</u>	<u>8,508,945</u>
Deferred Outflows of Resources:			
OPEB deferrals	-	24,941	24,941
Pension deferrals	-	76,400	76,400
Total deferred outflows of resources	<u>-</u>	<u>101,341</u>	<u>101,341</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	14,883	30,607	45,490
Due to other funds	-	316	316
Compensated absences payable	2,633	8,375	11,008
Current portion of long-term debt	46,561	-	46,561
Liabilities payable from restricted assets:			
Customer deposits	-	41,359	41,359
Total current liabilities	<u>64,077</u>	<u>80,657</u>	<u>144,734</u>
Non-current liabilities:			
Compensated absences payable	7,899	25,126	33,025
Other long-term debt	46,840	-	46,840
Net pension liability	-	130,337	130,337
Other post-employment benefits	-	347,395	347,395
Total non-current liabilities	<u>54,739</u>	<u>502,858</u>	<u>557,597</u>
Total liabilities	<u>118,816</u>	<u>583,515</u>	<u>702,331</u>
Deferred Inflows of Resources:			
OPEB deferrals	-	46,695	46,695
Pension deferrals	-	989	989
Total deferred inflows of resources	<u>-</u>	<u>47,684</u>	<u>47,684</u>
Net Position:			
Net investment in capital assets	70,952	5,201,483	5,272,435
Unrestricted	667,877	1,919,959	2,587,836
Total net position	<u>\$ 738,829</u>	<u>\$ 7,121,442</u>	<u>\$ 7,860,271</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, 2020

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
Operating Revenues:			
Charges for services	\$ 862,379	\$ 657,677	\$ 1,520,056
Other fees	43,986	-	43,986
Other operating revenues	-	11,123	11,123
Total operating revenues	<u>906,365</u>	<u>668,800</u>	<u>1,575,165</u>
Operating Expenses:			
Administration	534,193	355,987	890,180
Operations and maintenance	-	815,947	815,947
Depreciation and amortization	82,438	234,930	317,368
Total operating expenses	<u>616,631</u>	<u>1,406,864</u>	<u>2,023,495</u>
Operating income (loss)	<u>289,734</u>	<u>(738,064)</u>	<u>(448,330)</u>
Non-Operating Revenues (Expenses):			
Operating grants	-	622,420	622,420
Investment earnings	18	7,256	7,274
Interest expense and fiscal charges	(539)	-	(539)
Total non-operating revenues (expenses)	<u>(521)</u>	<u>629,676</u>	<u>629,155</u>
Income (loss) before capital contributions	289,213	(108,388)	180,825
Capital contributions	<u>-</u>	<u>323,211</u>	<u>323,211</u>
Change in net position	289,213	214,823	504,036
Net Position:			
Beginning year - July 1	<u>449,616</u>	<u>6,906,619</u>	<u>7,356,235</u>
End of year - June 30	<u>\$ 738,829</u>	<u>\$ 7,121,442</u>	<u>\$ 7,860,271</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Stormwater Fund	Housing Assistance Fund	Total Nonmajor Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ 897,067	\$ 346,114	\$ 1,243,181
Cash paid for goods and services	(533,608)	(797,980)	(1,331,588)
Cash paid to employees	-	(324,456)	(324,456)
Net cash provided (used) by operating activities	<u>363,459</u>	<u>(776,322)</u>	<u>(412,863)</u>
Cash Flows from Non-Capital Financing Activities:			
Proceeds from operating grants	-	622,420	622,420
Increase (decrease) in due from other funds	3,535	18,644	22,179
Net cash provided (used) by non-capital financing activities	<u>3,535</u>	<u>641,064</u>	<u>644,599</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	-	(351,911)	(351,911)
Capital contributions - grants	-	323,211	323,211
Principal paid on long-term debt	(56,010)	-	(56,010)
Interest paid on long-term debt	(539)	-	(539)
Net cash provided (used) for capital and related financing activities	<u>(56,549)</u>	<u>(28,700)</u>	<u>(85,249)</u>
Cash Flows from Investing Activities:			
Interest received from investments	<u>18</u>	<u>7,256</u>	<u>7,274</u>
Net increase (decrease) in cash and cash equivalents	310,463	(156,702)	153,761
Cash and Cash Equivalents:			
Beginning of year - July 1	<u>243,726</u>	<u>1,994,305</u>	<u>2,238,031</u>
End of year - June 30	<u>\$ 554,189</u>	<u>\$ 1,837,603</u>	<u>\$ 2,391,792</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 289,734	\$ (738,064)	\$ (448,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	82,438	234,930	317,368
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(9,298)	(323,184)	(332,482)
(Increase) decrease in inventories	1,341	-	1,341
(Increase) decrease in prepaids	(1,444)	5,677	4,233
Increase (decrease) in accounts payable and accrued liabilities	(1,023)	12,290	11,267
Increase (decrease) in customer deposits	-	497	497
Increase (decrease) in compensated absences	1,711	944	2,655
(Increase) decrease in deferred outflows of resources for pensions	-	10,305	10,305
Increase (decrease) in net pension liability	-	19,252	19,252
Increase (decrease) in deferred inflows of resources for pensions	-	(1,170)	(1,170)
(Increase) decrease in deferred outflows of resources -OPEB	-	(7,444)	(7,444)
Increase (decrease) in deferred inflows of resources - OPEB	-	24,065	24,065
Increase (decrease) in other post-employment benefits	-	(14,420)	(14,420)
	<u>\$ 363,459</u>	<u>\$ (776,322)</u>	<u>\$ (412,863)</u>
Net cash provided (used) by operating activities			

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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 831,660	\$ 862,379	\$ 30,719
Other fees	500	43,986	43,486
Total operating revenues	<u>832,160</u>	<u>906,365</u>	<u>74,205</u>
Non-operating revenues:			
Investment earnings	-	18	18
Total revenues	<u>832,160</u>	<u>906,383</u>	<u>74,223</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	853,160	532,482	320,678
Debt service:			
Principal repayment	56,000	56,010	(10)
Interest and fees	3,000	539	2,461
Total debt service	<u>59,000</u>	<u>56,549</u>	<u>2,451</u>
Total expenditures	<u>912,160</u>	<u>589,031</u>	<u>323,129</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>317,352</u>	<u>397,352</u>
Other Financing Sources (Uses):			
Appropriated fund balance	<u>80,000</u>	-	<u>(80,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>317,352</u>	<u>\$ 317,352</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Debt principal		56,010	
(Increase) decrease in compensated absences		(1,711)	
Depreciation and amortization		<u>(82,438)</u>	
Total reconciling items		<u>(28,139)</u>	
Change in net position		<u>\$ 289,213</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Operating revenues:			
Charges for services	\$ 625,000	\$ 657,677	\$ 32,677
Other operating revenues	2,500	11,123	8,623
Total operating revenues	<u>627,500</u>	<u>668,800</u>	<u>41,300</u>
Non-operating revenues:			
Operating and capital grants	899,052	945,631	46,579
Investment earnings	-	7,256	7,256
Total non-operating revenues	<u>899,052</u>	<u>952,887</u>	<u>53,835</u>
Total revenues	<u>1,526,552</u>	<u>1,621,687</u>	<u>95,135</u>
Expenditures:			
Operating expenditures:			
Cost of sales and services:			
Administration	410,200	355,043	55,157
Operating and maintenance	934,095	785,359	148,736
Capital outlay	622,552	351,911	270,641
Total costs of sales and services	<u>1,966,847</u>	<u>1,492,313</u>	<u>474,534</u>
Total expenditures	<u>1,966,847</u>	<u>1,492,313</u>	<u>474,534</u>
Revenues over (under) expenditures	(440,295)	129,374	569,669
Other Financing Sources (Uses):			
Appropriated fund balance	440,295	-	(440,295)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>129,374</u>	<u>\$ 129,374</u>
Reconciliation of Modified Accrual Basis with Accrual Basis:			
Capital outlay		351,911	
Change in compensated absences		(944)	
Change in deferred outflows of resources - OPEB		7,444	
Change in deferred inflows of resources - OPEB		(24,065)	
Change in other post-employment benefits		14,420	
Change in net pension liability		(19,252)	
Change in deferred outflows of resources - pension		(10,305)	
Change in deferred inflows of resources - pension		1,170	
Depreciation		<u>(234,930)</u>	
Total reconciling items		<u>85,449</u>	
Change in net position		<u>\$ 214,823</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, 2020

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Expenditures:				
Logan Street land	\$ 44,500	\$ 43,762	\$ -	\$ 43,762
Construction	195,250	124,944	-	124,944
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)
Other Financing Sources (Uses):				
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, 2020

Fiscal Year	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 12,798,982	\$ 12,430,960	\$ 368,022
2018-2019	202,869	-	100,564	102,305
2017-2018	61,009	-	18,364	42,645
2016-2017	39,140	-	7,787	31,353
2015-2016	25,535	-	4,110	21,425
2014-2015	21,016	-	1,386	19,630
2013-2014	27,801	-	937	26,864
2012-2013	24,557	-	1,172	23,385
2011-2012	15,387	-	856	14,531
2010-2011	15,867	-	555	15,312
2009-2010	17,574	-	17,574	-
Total	\$ 450,755	\$ 12,798,982	\$ 12,584,265	\$ 665,472.00
Less: allowance for uncollectible ad valorem taxes receivable				(184,000)
Ad valorem taxes receivable, net				\$ 481,472
Reconciliation with Revenues:				
Ad valorem taxes - General Fund			\$ 12,418,656	
Ad valorem taxes - Special Revenue Fund			118,137	
Interest and penalties collected			(30,122)	
Discounts allowed			35,009	
Miscellaneous adjustments			25,011	
Arrears written off for tax year 2009-2010 per statute of limitations			17,574	
Total collections and credits			\$ 12,584,265	

*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, 2020

	<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>
Original Levy:					
Property taxed at current year's rate	\$ 2,274,289,569	\$ 0.5225	\$ 11,883,163	\$ 11,093,276	\$ 789,887
Municipal service district taxed at current year's rate	47,447,249	0.7725	366,530	351,934	14,596
Total original levy	<u>2,321,736,819</u>		<u>12,249,693</u>	<u>11,445,210</u>	<u>804,483</u>
Discoveries:					
Property taxed at current year's rate	<u>105,293,780</u>	0.5225	<u>550,160</u>	<u>550,160</u>	<u>-</u>
Releases:					
Property taxed at current year's rate	<u>166,699</u>	0.5225	<u>871</u>	<u>871</u>	<u>-</u>
Total property valuation	<u>\$ 2,426,863,900</u>				
Net Levy			12,798,982	11,994,499	804,483
Uncollected taxes at June 30, 2020			<u>368,022</u>	<u>368,022</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 12,430,960</u>	<u>\$ 11,626,477</u>	<u>\$ 804,483</u>
Current Levy Collection Percentage			<u>97.12%</u>	<u>96.93%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.15%</u>	<u>98.01%</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, 2020

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 2,274,289,569	\$ 0.5225	\$ 11,883,163	\$ 11,093,276	\$ 789,887
Discoveries:					
Property taxed at current year's rate	105,293,780	0.5225	550,160	550,160	-
Releases:					
Property taxed at current year's rate	<u>166,699</u>	0.5225	<u>871</u>	<u>871</u>	<u>-</u>
Total property valuation	<u>\$ 2,379,416,651</u>				
Net Levy			12,432,452	11,642,565	789,887
Uncollected taxes at June 30, 2020			<u>361,166</u>	<u>361,166</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 12,071,286</u>	<u>\$ 11,281,399</u>	<u>\$ 789,887</u>
Current Levy Collection Percentage			<u>97.09%</u>	<u>96.90%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.15%</u>	<u>98.00%</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, 2020

	Municipal Service District			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 47,447,249	\$ 0.7725	\$ 366,530	\$ 351,934	\$ 14,596
Net Levy			366,530	351,934	14,596
Uncollected taxes at June 30, 2020			6,856	6,856	-
Current Year's Taxes Collected			\$ 359,674	\$ 345,078	\$ 14,596
Current Levy Collection Percentage			<u>98.13%</u>	<u>98.05%</u>	<u>100.00%</u>
Prior Year Levy Collection Percentage			<u>98.18%</u>	<u>98.10%</u>	<u>100.00%</u>

CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET
JUNE 30, 2020

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
Assets:				
Current assets:				
Cash:				
111	Cash - unrestricted	\$ 1,796,242	\$ -	\$ 1,796,242
114	Cash - tenant security deposits	41,359	-	41,359
100	Total cash	1,837,601	-	1,837,601
Accounts and notes receivables:				
124	Accounts receivable - other governments	581,014	-	581,014
126	Accounts receivable - tenant - dwelling rents	25,822	-	25,822
120	Total receivables, net allowances for uncollectibles	606,836	-	606,836
142	Prepaid expenses and other assets	5,379	-	5,379
150	Total current assets	2,449,816	-	2,449,816
Non-current assets:				
Fixed assets:				
161	Land	283,024	-	283,024
162	Buildings	10,752,430	323,211	11,075,641
163	Furniture, equipment, and machinery - dwellings	387,650	-	387,650
166	Accumulated depreciation	(6,544,832)	-	(6,544,832)
160	Total fixed assets, net of accumulated depreciation	4,878,272	323,211	5,201,483
180	Total non-current assets	4,878,272	323,211	5,201,483
190	Total assets	7,328,088	323,211	7,651,299
Deferred Outflows of Resources:				
Contributions to pension plan in current fiscal year				
		36,236	-	36,236
	Pension deferrals	65,105	-	65,105
200	Total deferred outflows of resources	101,341	-	101,341
290	Total assets and deferred outflows of resources	\$ 7,429,429	\$ 323,211	\$ 7,752,640
Liabilities, Deferred Inflows of Resources, and Net Position:				
Liabilities:				
Current liabilities:				
312	Accounts payable < 90 days	\$ 15,629	\$ -	\$ 15,629
321	Accrued wages/payroll taxes payable	15,348	-	15,348
322	Accrued compensated absences	8,375	-	8,375
341	Tenant security deposits	41,359	-	41,359
310	Total current liabilities	80,711	-	80,711
Non-current liabilities:				
354	Accrued compensated absences - non-current	25,127	-	25,127
	Other post-employment benefit & pension liabilities	477,732	-	477,732
350	Total non-current liabilities	502,859	-	502,859
300	Total liabilities	583,570	-	583,570
Deferred Inflows of Resources:				
400	Pension deferrals	47,684	-	47,684
Net Position:				
508.1	Net investment in capital assets	4,878,272	323,211	5,201,483
512.1	Unrestricted net position	1,919,903	-	1,919,903
513	Total net position	6,798,175	323,211	7,121,386
600	Total liabilities, deferred inflows of resources, and net position	\$ 7,429,429	\$ 323,211	\$ 7,752,640

CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
Revenue:				
703	Net tenant rental revenue	\$ 657,677	\$ -	\$ 657,677
706	HUD PHA operating grants	622,420	-	622,420
706.1	HUD PHA capital grants	-	323,211	323,211
711	Investment income - unrestricted	7,256	-	7,256
715	Other revenues	11,123	-	11,123
700	Total revenues	<u>1,298,476</u>	<u>323,211</u>	<u>1,621,687</u>
Expenses:				
Administrative:				
911	Administrative salaries	337,497	-	337,497
912	Audit services	7,523	-	7,523
915	Employee benefit contributions - administrative	158,308	-	158,308
Tenant services:				
924	Tenant services - other	3,535	-	3,535
Utilities:				
931	Water	123,593	-	123,593
932	Electricity	123,742	-	123,742
933	Gas	104,902	-	104,902
942	Ordinary maintenance and operation - materials and other	111,679	-	111,679
943	Ordinary maintenance and operation - contract costs	52,556	-	52,556
General expenses:				
961	Insurance premiums	61,204	-	61,204
962	Other general expenses	14,374	-	14,374
962.1	Compensated absences	33,502	-	33,502
963	Payments in lieu of taxes	18,688	-	18,688
964	Bad debt - tenant rents	16,322	-	16,322
969	Total operating expenses	<u>1,167,425</u>	<u>-</u>	<u>1,167,425</u>
970	Excess operating revenue over operating expenses	<u>131,051</u>	<u>323,211</u>	<u>454,262</u>
974	Depreciation expense	234,930	-	234,930
976	Capital outlay	4,565	-	4,565
900	Total expenses	<u>1,406,920</u>	<u>-</u>	<u>1,406,920</u>
1000	Excess (deficiency) of revenue over expenses	<u>\$ (108,444)</u>	<u>\$ 323,211</u>	<u>\$ 214,767</u>
MEMO Account Information:				
1103	Beginning equity	\$ 6,651,369	\$ 255,250	\$ 6,906,619
1104	Prior period adjustments, equity transfers and corrections of errors	255,250	(255,250)	-
1120	Unit months available	2,064	-	2,064
1121	Number of unit months leased	2,062	-	2,062

CITY OF SHELBY, NORTH CAROLINA
STATEMENT OF PROGRAM COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2020

Program Name	CFDA #	Funds Approved			Funds Expended			Excess (Deficiency)		
		Ending Balance	Prior Audit	Current Year	Ending Balance	Prior Audit	Current Year	Funds Approved	Funds Advanced	
Capital Fund Program (CFP): NC19PO34501-18	14.872	\$ 417,439	\$ -	\$ 308,598	\$ 308,598	\$ -	\$ 308,598	\$ 108,841	\$ -	
Capital Fund Program (CFP): NC19PO34501-17	14.872	\$ 272,416	\$ 257,803	\$ 14,613	\$ 272,416	\$ 257,803	\$ 14,613	\$ -	\$ -	
Capital Fund Program (CFP): NC19PO34501-16	14.872	\$ 258,926	\$ 258,926	\$ -	\$ 258,926	\$ 258,926	\$ -	\$ -	\$ -	





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 126-129)

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 130-136)

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

Debt Capacity (Page 137-142)

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 143-145)

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 146-147)

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 32,852	\$ 30,598	\$ 31,063	\$ 33,394	\$ 34,486	\$ 37,344	\$ 36,664	\$ 38,492	\$ 47,196	\$ 52,963
Restricted	5,639	4,687	5,882	5,077	5,448	5,566	4,325	5,426	5,564	6,350
Unrestricted	(1,565)	1,360	2,207	1,015	916	82	(231)	(9,528)	(9,548)	(11,406)
Total governmental activities net position	\$ 36,926	\$ 36,645	\$ 39,152	\$ 39,486	\$ 40,850	\$ 42,992	\$ 40,758	\$ 34,390	\$ 43,212	\$ 47,907
Business-Type Activities										
Net investment in capital assets	\$ 60,461	\$ 63,276	\$ 65,346	\$ 68,475	\$ 72,259	\$ 75,472	\$ 80,074	\$ 91,821	\$ 108,941	\$ 111,590
Unrestricted	22,245	22,427	23,260	25,549	21,387	20,638	19,004	12,384	12,581	18,080
Total business-type activities net position	\$ 82,706	\$ 85,703	\$ 88,606	\$ 94,024	\$ 93,646	\$ 96,110	\$ 99,078	\$ 104,205	\$ 121,522	\$ 129,670
Primary Government										
Net investment in capital assets	\$ 93,313	\$ 93,874	\$ 96,409	\$ 101,869	\$ 106,745	\$ 112,816	\$ 116,738	\$ 130,313	\$ 156,137	\$ 164,553
Restricted	5,639	4,687	5,882	5,077	5,448	5,566	4,325	5,426	5,564	6,350
Unrestricted	20,680	23,787	25,467	26,564	22,303	20,638	18,773	2,856	3,033	6,674
Total primary government net position	\$ 119,632	\$ 122,348	\$ 127,758	\$ 133,510	\$ 134,496	\$ 139,020	\$ 139,836	\$ 138,595	\$ 164,734	\$ 177,577

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 3,258	\$ 2,344	\$ 1,492	\$ 2,584	\$ 2,605	\$ 2,335	\$ 3,041	\$ 3,151	\$ 2,717	\$ 3,492
Public safety	9,701	10,054	9,402	10,101	10,075	10,467	11,631	11,246	13,143	13,790
Transportation	2,481	2,638	3,960	3,193	3,101	3,349	2,891	3,040	5,977	3,225
Environmental protection	1,479	1,876	1,570	1,700	1,640	1,502	1,707	2,084	1,955	2,054
Cultural and recreational	939	2,151	2,106	2,354	2,295	2,471	2,590	2,534	13	(1,505)
Housing and redevelopment	267	321	222	1,133	997	2,891	1,151	1,804	1,199	6,027
Interest on long-term debt	73	68	79	41	12	57	96	252	240	195
Total governmental activities expenses	18,198	19,452	18,831	21,106	20,725	23,072	23,107	24,111	25,244	27,278
Business-type activities:										
Water	3,693	3,761	3,851	3,932	3,896	4,097	4,334	4,357	4,399	4,673
Sewer	3,687	3,716	3,936	4,441	4,257	4,359	4,448	4,724	5,506	5,084
Electric	17,888	18,519	19,168	19,892	21,974	20,608	21,272	20,922	19,499	19,335
Gas	11,453	8,408	10,294	14,512	14,717	10,827	11,543	12,921	13,535	12,642
Stormwater	-	-	-	-	294	726	833	938	737	617
Housing assistance	1,163	1,138	1,195	1,207	1,221	1,256	1,470	1,321	1,335	1,407
Total business-type activities expenses	37,884	35,542	38,444	43,984	46,359	41,873	43,900	45,183	45,011	43,758
Total primary governmental expenses	\$ 56,082	\$ 54,994	\$ 57,275	\$ 65,090	\$ 67,084	\$ 64,945	\$ 67,007	\$ 69,294	\$ 70,255	\$ 71,036
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 365	\$ 441	\$ 406	\$ 377	\$ 402	\$ 3,371	\$ 572	\$ 556	\$ 446	\$ 769
Public safety	23	21	27	11	14	23	23	36	29	48
Transportation	261	377	329	346	289	268	228	281	257	302
Environmental protection	863	994	1,154	1,230	1,184	1,142	1,351	1,351	1,673	1,513
Cultural and recreational	318	294	327	356	302	272	295	297	291	265
Housing and redevelopment	127	141	139	133	-	-	-	-	154	3
Operating grants and contributions:										
General government	55	144	1,075	85	67	55	83	340	45	81
Public safety	1,098	1,048	1,050	1,014	1,143	1,167	1,192	1,197	1,280	1,285
Transportation	15	20	20	20	20	15	15	-	-	72
Environmental protection	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	5	-	-	30	-	-	-	-	-	-
Housing and redevelopment	-	-	-	205	318	683	417	222	711	247

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital grants and contributions:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	242	6	32	27	-	-	-	921	-	-
Transportation	315	785	435	176	360	437	328	445	4,184	2,550
Cultural and recreational	456	-	-	-	-	-	1	304	316	24
Housing and redevelopment	-	-	-	1,527	494	229	48	352	149	1,646
Total governmental activities program revenues	4,143	4,271	4,994	5,537	4,593	7,662	4,553	6,302	9,535	8,805
Business-type activities:										
Charges for services										
Water	3,909	3,859	4,260	4,630	4,849	4,722	5,151	4,712	5,133	5,431
Sewer	4,485	4,388	4,926	5,088	5,082	5,230	5,604	5,447	6,099	5,843
Electric	18,659	18,924	20,259	21,468	22,286	21,981	22,641	23,250	23,840	24,938
Gas	14,486	9,555	13,142	18,547	17,591	14,164	14,955	17,252	18,180	16,138
Stormwater	-	-	-	-	796	736	810	789	848	906
Housing assistance	575	570	582	586	593	623	633	973	655	669
Operating grants and contributions										
Water	105	111	122	91	85	79	72	65	58	51
Sewer	43	46	43	37	35	32	30	27	24	21
Electric	-	-	-	-	-	-	-	-	-	-
Gas	12	13	12	11	10	9	8	8	7	6
Housing assistance	414	258	243	424	462	455	450	466	435	622
Capital grants and contributions										
Water	90	114	-	465	-	-	6	1,128	6,706	571
Sewer	1,589	833	95	624	-	-	-	3,477	6,166	(80)
Electric	1,036	1,779	34	-	-	-	-	-	-	-
Gas	-	-	-	261	-	-	-	175	324	-
Housing assistance	200	399	295	226	166	260	77	252	255	323
Total business-type activities program revenues	45,603	40,849	44,013	52,458	51,955	48,291	50,437	58,021	68,730	55,439
Total primary governmental program revenues	49,746	45,120	49,007	57,995	56,548	55,953	54,990	64,323	78,265	64,244
Net (expense)/revenue	\$ (14,055)	\$ (15,181)	\$ (13,837)	\$ (15,569)	\$ (16,130)	\$ (15,409)	\$ (18,554)	\$ (17,809)	\$ (15,709)	\$ (18,473)
Governmental activities	7,719	5,307	5,569	8,474	5,595	6,417	6,537	12,838	23,719	11,681
Business-type activities	\$ (6,336)	\$ (9,874)	\$ (8,268)	\$ (7,095)	\$ (10,535)	\$ (8,992)	\$ (12,017)	\$ (4,971)	\$ 8,010	\$ (6,792)

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purpose	\$ 7,663	\$ 7,719	\$ 7,732	\$ 8,017	\$ 8,316	\$ 8,263	\$ 9,016	\$ 10,366	\$ 10,905	\$ 12,736
Sales tax	2,732	2,866	2,862	2,809	2,980	3,061	3,501	3,972	4,542	4,587
Franchise tax	1,582	1,560	1,572	1,586	1,835	2,008	1,930	1,975	2,024	1,918
Other taxes	95	109	12	90	97	99	104	103	101	102
Miscellaneous	-	-	1,721	-	-	-	-	-	-	-
Unrestricted investment earnings	143	212	(115)	186	143	114	(4)	249	334	196
Contributions to permanent fund principal	-	-	-	-	-	-	-	-	-	-
Transfers	3,280	2,434	2,560	3,215	5,584	4,005	-	-	-	-
Total governmental activities	15,495	14,900	16,344	15,903	18,954	17,550	14,547	16,665	17,906	19,539
Business-type activities										
Unrestricted investment earnings	111	123	(106)	159	27	52	(11)	132	222	97
Miscellaneous	-	-	-	-	-	-	-	(1,083)	-	-
Transfers	(3,280)	(2,434)	(2,560)	(3,215)	(5,584)	(4,005)	-	-	-	-
Total business-type activities	(3,169)	(2,311)	(2,666)	(3,056)	(5,557)	3,953	(11)	(951)	222	97
Total primary government	\$ 12,326	\$ 12,589	\$ 13,678	\$ 12,847	\$ 13,397	\$ 13,597	\$ 14,536	\$ 15,714	\$ 18,128	\$ 19,636
Change in Net Position										
Governmental activities	\$ 1,440	\$ (281)	\$ 2,508	\$ 334	\$ 2,824	\$ 2,141	\$ (32)	\$ 2,709	\$ 8,822	\$ 4,695
Business-type activities	4,550	2,996	2,903	5,418	38	2,465	2,551	8,032	17,317	8,148
Total primary government	\$ 5,990	\$ 2,715	\$ 5,411	\$ 5,752	\$ 2,862	\$ 4,606	\$ 2,519	\$ 10,741	\$ 26,139	\$ 12,843

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Non-spendable	521	437	436	422	372	434	452	475	477	491
Restricted	6,732	3,955	4,101	4,163	3,813	3,991	3,179	3,385	3,622	3,770
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	88	64	465	334	472	351	730	343	604	662
Unassigned	580	3,246	3,020	3,005	4,267	2,859	3,697	5,028	2,897	4,539
Total General Fund	\$ 7,921	\$ 7,702	\$ 8,022	\$ 7,924	\$ 8,924	\$ 7,636	\$ 8,058	\$ 9,231	\$ 7,600	\$ 9,462
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-	-	-	-	-
Non-spendable	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	59	61	12	30	32	30
Permanent funds	522	584	639	712	764	818	879	1,191	1,244	1,318
Restricted	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	90	745	424	185	191	221	239	289	659	1,206
Capital Projects Fund	762	122	254	17	669	525 *	7,853	3,503	3,124	1,759
Permanent funds	-	-	-	-	11	11	15	11	11	11
Committed	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	460	804	199	445	200	216	199
Assigned	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	164	-	1,582	435	416	2,013	1,730	1,923	2,723	1,975
Capital Projects Fund	-	-	309	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Special Revenue Fund	-	-	-	-	-	-	-	-	-	(67)
Capital Projects Fund	(730)	(272)	-	-	(513)	(666)	-	(622)	(633)	(771)
Total all other governmental funds	\$ 808	\$ 1,179	\$ 3,208	\$ 1,809	\$ 2,401	\$ 3,182	\$ 3,320	\$ 6,525	\$ 7,376	\$ 5,660

*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)

	Fiscal Year Ended June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Ad valorem taxes	\$ 7,686	\$ 7,731	\$ 7,721	\$ 8,020	\$ 8,298	\$ 8,326	\$ 9,015	\$ 10,351	\$ 10,848	\$ 12,537
Other taxes and licenses	2,733	2,866	2,863	2,808	2,980	3,061	3,501	3,972	4,542	4,587
Unrestricted intergovernmental revenues	1,837	1,733	1,761	1,741	2,007	2,221	2,149	2,265	2,271	2,243
Restricted intergovernmental revenues	1,933	2,006	2,390	2,746	1,933	2,259	1,737	3,272	4,748	7,134
Permits and fees	272	174	149	207	232	327	347	267	220	290
Sales and services	1,472	1,694	1,822	1,968	1,783	1,698	1,893	1,943	2,243	2,107
Investment earnings	143	212	(115)	186	143	114	(4)	213	334	196
Donations	47	58	62	74	61	53	61	306	45	81
Miscellaneous	206	260	400	455	500	362	357	327	509	593
Total revenues	16,329	16,734	17,053	18,205	17,936	18,422	19,056	22,916	25,760	29,768
Expenditures										
General government	3,034	2,141	2,077	2,282	1,639	1,825	2,020	1,279	2,629	2,973
Public safety	9,814	9,497	9,092	9,164	9,613	9,978	10,430	10,576	12,047	12,378
Transportation	2,490	3,205	3,771	2,502	2,977	2,853	2,991	2,505	5,471	2,676
Environmental protection	1,277	1,925	1,635	1,593	1,537	1,502	1,485	1,596	1,676	1,715
Cultural and recreational	2,083	1,979	1,944	2,062	1,999	1,876	1,656	2,011	(309)	(1,842)
Housing and redevelopment	267	321	222	1,134	1,529	3,456	1,334	1,804	1,199	6,027
Capital outlay	-	-	-	3,822	3,254	4,128	2,077	10,034	9,411	8,610
Debt service										
Principal	716	713	822	923	959	934	973	1,493	1,605	1,471
Interest and other charges	82	68	79	25	13	58	66	242	248	192
Total expenditures	19,763	19,849	19,642	23,507	23,520	26,611	23,033	31,540	33,977	34,200
Excess of revenues over (under) expenditures	(3,434)	(3,115)	(2,589)	(5,302)	(5,302)	(8,189)	(3,977)	(8,624)	(8,217)	(4,432)
Other financing sources (uses)										
Transfers from other funds	3,685	3,367	4,375	3,727	6,983	4,303	5,377	4,902	9,854	5,109
Transfers to other funds	(404)	(933)	(1,815)	(512)	(1,399)	(299)	(1,402)	(1,047)	(3,229)	(1,479)
Installment debt issued	510	812	658	560	1,515	828	8,371	1,259	480	946
Proceeds from sale of assets	54	21	1,721	29	11	2,849	44	35	333	1
Total other financing sources (uses)	3,845	3,267	4,939	3,804	7,110	4,682	12,390	5,149	7,438	4,577
Net change in fund balance	\$ 411	\$ 152	\$ 2,350	\$ (1,498)	\$ 1,526	\$ (507)	\$ 8,413	\$ (3,475)	\$ (779)	\$ 145
Debt services as a percentage of non-capital expenditures	4.04%	3.93%	4.59%	4.82%	4.80%	4.41%	4.96%	8.07%	7.54%	6.50%

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

Year Ended June 30	Ad Valorem	Sales	Intangibles	Utility Franchise	Beer and Wine	Inventory	Food Stamp	Licenses and CATV Franchise	Total
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
2020	12,541,679	4,585,162	-	1,918,023	86,107	-	-	-	19,130,971

* 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>
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	0.5225
2020	1,527,272	760,370	52,820	2,340,462	0.5225

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
(rate per \$100 of assessed value)

Year Ended June 30	City of Shelby (#)	Uptown Shelby Municipal Service District	Cleveland County	County School District
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	0.5225	0.250	0.570	0.150
2020	0.5225	0.250	0.570	0.150

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

Taxpayer	2020			2011		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Clearwater Paper Corporation	\$ 599,453	1	25.82%			
Nippon Electric Glass (Formerly PPG)	118,484	2	5.10%	\$ 93,400	1	5.40%
Wal-Mart Stores	91,638	3	3.95%	75,454	2	4.36%
KSM Castings NC Inc.	67,071	4	2.89%			
Cleveland Yutaka Corporation	25,375	5	1.09%			
Curtis Wright Controls, Inc.	22,809	6	0.98%			
Greenheck Fan Corp & Real Estate Holdings	20,569	7	0.89%	14,646	3	0.85%
Duke Energy Carolina	17,812	8	0.77%	12,277	5	0.71%
Baldor Electric Company	14,888	9	0.64%			
Kendrion Shelby Inc.	11,534	10	0.50%			
Shelby Mall LLC				13,606	4	0.79%
Lowe's Home Centers, Inc.				12,000	6	0.69%
Ultra Machine & Fabrication				9,329	7	0.54%
Bell South Telephone Company				8,137	8	0.47%
Carlisle at Delta Park LLC				7,134	9	0.41%
Shelby Loan & Mortgage				5,906	10	0.34%
Totals	\$ 989,633		42.63%	\$ 251,889		14.56%
Total Taxable Assessed Value	\$ 2,321,258			\$ 1,729,866		

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
2011	7,635	7,403	96.96%	15	220	7,613	99.72%
2012	7,688	7,460	97.03%	15	215	7,660	99.65%
2013	7,759	7,486	96.48%	23	195	7,681	99.01%
2014	7,670	7,437	96.96%	27	20	7,457	97.22%
2015	7,543	7,385	97.91%	20	38	7,423	97.84%
2016	7,756	7,604	98.04%	21	123	7,727	98.04%
2017	8,356	8,204	98.18%	31	101	8,304	99.39%
2018	9,666	9,523	98.53%	43	78	9,601	99.33%
2019	10,170	9,967	98.01%	98	80	10,047	98.79%
2020	11,994	11,622	96.90%	372	-	11,622	96.90%

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	
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans	Installment Purchase Obligations	Personal Income				Per Capita	
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	2,600	
2020	8,721	-	15,528	-	47,097	71,346	N/A	N/A	N/A	3,561	

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>
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
2019	-	0.00%	N/A
2020	-	0.00%	N/A

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

Year Ended June 30	Debt Limits 8% of Assessed Value	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
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	194,149	71,345	133,790	53.33%
2020	194,149	71,345	122,804	58.10%

City of Shelby, North Carolina
Computation of Legal Debt Margin
June 30, 2020

				(Thousands of dollars)
Assessed value of taxable property				\$ <u>2,426,864</u>
Debt limit - eight percent (8%) of assessed value				\$ 194,149
Gross debt				
Revenue bonds	\$	15,528		
Other financing agreements/notes payable		55,817	\$ 71,345	
Total amount of debt applicable to debt limitation				<u>71,345</u>
Legal debt margin				\$ <u>122,804</u>

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

Year Ended June 30	(1) Population	(2) Per Capita Income	(2) Median Age	(3) School Enrollment	(4) Unemployment Rate	(5) Personal Income
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
2020	20,058	20,585	40.3	13,987	4.60%	*37,661

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

Employer	Industry	2020		2016	
		Rank	Employment Range	Rank	Employment Range
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
Hanesbrands, Inc.	Retail distribution	5	500-999		
Gardner-Webb University	Education	6	500-999	5	500-999
Ingles Markets	Trade/Transportation/Utilities	7	500-999	9	500-999
Cleveland Community College	Education	8	250-499	8	500-999
NEG (Formerly PPG Fiber Glass Products)	Industrial supplies	9	500-999	6	500-999
Clearwater Paper	Manufacturing	10	500-999		
City of Shelby	Public administration				
ABB (Formerly Baldor Electric Company)	Manufacturing			7	500-999
Eaton Corporation	Manufacturing			10	250-499
Curtiss-Wright Flight Systems, Inc.	Transportation equipment				
White Oak Manor, Inc.	Education and health services				

Source: Cleveland County Economic Development Partnership (704-669-4701) ccedp.com

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									
	2011	2012	2013	2014	2015	2016	2017*	2018	2019	2020
General government	38.0	39.0	40.0	35.0	35.0	34.0	34.0	34.0	34.0	34.0
Public safety										
Police	86.0	86.0	86.0	97.0	97.0	95.0	88.0	88.0	88.0	88.0
Fire	53.0	58.0	57.0	58.0	58.0	56.0	53.0	54.0	54.0	54.0
Transportation	19.0	17.0	22.0	21.0	21.0	24.0	23.0	22.0	22.0	23.0
Environmental protection	17.0	19.0	16.0	17.0	17.0	16.0	16.0	16.0	16.0	16.0
Cultural and recreational	19.0	22.0	32.0	30.0	30.0	32.0	22.0	22.0	26.0	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	19.0	17.0	18.0	16.0	16.5	16.0	18.0	18.0	18.0
Sewer	18.3	21.0	19.0	21.0	21.0	23.0	24.0	22.0	22.0	22.0
Electric	10.4	14.0	12.0	12.0	12.0	14.0	15.0	15.0	15.0	16.0
Gas	18.7	18.0	17.0	18.0	18.0	19.0	19.0	19.0	19.0	19.0
Stormwater	-	-	-	-	2.0	2.0	2.0	3.0	3.0	3.0
Housing	6.0	7.0	7.0	7.0	7.0	7.5	7.0	7.0	7.0	7.0
Total	312.0	329.0	334.0	343.0	343.0	348.0	328.0	329.0	333.0	335.0

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police:										
Number of calls for service	37,303	39,068	35,877	35,877	36,173	36,186	46,592	39,097	43,360	35,777
Uniform Crime Report Part I crimes reported	1,039	1,025	887	761	861	771	816	708	846	492
Uniform Crime Report Part II crimes reported	529	554	475	453	525	517	483	519	649	888
Fire										
Number of responses	2,179	1,945	1,984	1,935	2,112	2,250	2,285	2,199	2,496	2,214
Number of inspections	1,502	1,530	1,365	1,185	1,258	1,355	1,423	1,103	1,489	771
Transportation										
Miles of street repaved	1.60	1.61	1.83	2.38	2.57	4.13	2.01	3.22	2.64	4.23
Environmental protection										
Tons of solid waste collected	7,233	6,930	6,354	4,884	6,632	7,045	6,960	7,174	7,481	7,481
Tons of recycling collected			728	710	955	996	959	1,050	1,064	391
Tons of yard waste collected							5,635	7,665	5,331	5,645
Cultural and recreational										
Number of youth sport program participants	2,309	3,130	3,385	3,881	4,009	4,114	4,188	4,390	4,178	1,583
Number of adult sport program participants	944	1,026	1,141	1,230	1,351	1,762	1,966	2,268	2,230	1,080
Number of golf rounds played	10,283	10,491	9,761	8,704	7,529	6,506	6,583	6,138	5,481	8,793
Housing and redevelopment										
Building inspections:										
Number of permits issued	1,076	1,261	1,167	1,007	1,138	1,066	1,202	1,428	1,114	1,022
Number of inspections	4,376	5,437	3,634	3,395	3,935	4,384	4,187	4,256	2,896	2,955
Business-type activities										
Water system										
Customers at June 30	9,587	9,691	9,746	9,739	9,874	9,927	9,996	10,036	10,031	10,112
Average of daily consumption **	4.41	3.87	4.73	5.57	5.84	5.67	6.07	6.22	6.23	6.35
Peak daily consumption **	6.10	7.64	7.65	8.15	8.45	8.45	9.33	8.95	8.60	9.01
Sewer system										
Customers at June 30	7,840	7,952	8,031	8,016	8,136	8,201	8,264	8,319	9,343	8,411
Average of daily treatment **	2.25	2.41	2.95	3.57	3.07	3.47	3.04	3.22	3.84	3.70
Peak daily treatment **	6.61	5.86	12.86	10.59	10.25	11.77	8.52	9.51	10.66	6.35
Electric system										
Customers at June 30	7,409	7,414	7,504	7,505	7,605	7,671	7,729	7,750	7,716	7,790
Natural gas system										
Customers at June 30	9,649	9,615	9,582	9,588	9,643	9,617	9,624	9,647	9,652	9,735

** 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police										
Number of stations	1	1	1	1	1	2	2	2	1	1
Number of patrol units	47	47	47	50	50	50	50	50	50	50
Fire										
Number of stations	3	3	3	3	3	3	3	3	3	3
Transportation										
Number of airports	1	1	1	1	1	1	1	1	1	1
Miles of paved roads	122	123	123	124	124	124	124	124	125	125
Miles of unpaved roads	0	0	0	0	0	0	0	0	0	0
Miles of sidewalks	28	28	28	28	29	30	30	30	30	30
Cultural and recreation										
Number of parks	12	12	12	12	12	12	12	12	12	12
Acres of parks land ***	169	169	340	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
Business-type activities										
Water system										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Plant capacity *	12	12	12	12	12	12	12	12	12	12
Miles of water mains	219	218	221	222	223	221	221	221	228	227
Number of fire hydrants	1,271	1,241	1,358	1,376	1,389	1,394	1,412	1,416	1,440	1,447
Sewer system										
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	203	195	190	190	191	191	191	191	194	194
Miles of force main								25	26	26
Miles of storm sewers	7	-	10	10	25	26	26	26	29	122
Electric system										
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	146	147	148	148	149	152	150	150
Miles of secondary lines	204	163	210	211	211	211	211	211	210	213
Natural gas system										
Miles of gas mains	506	479	482	504	501	501	502	502	506	508

* 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

Schedule of Prior Year 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2020. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Shelby ABC Board.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 26, 2020

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, 2020. 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, 2020.

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 26, 2020

MARTIN STARNES & 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, 2020. 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, 2020.

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 26, 2020

CITY OF SHELBY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

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>Program Name</u>	<u>CFDA#</u>
Airport Improvement Program	20.106
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Public Housing Capital Fund Program	14.872
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, 2020**

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

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 AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Nope reported.

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
Federal Grants:					
<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	\$ 622,420	\$ -	\$ -
Capital Fund Program (CFP)--2017	14.872	NC19P034501-17	14,613	-	-
Capital Fund Program (CFP)--2018	14.872	NC19P034501-18	308,598	-	-
Total U.S. Dept. of Housing and Urban Development			<u>945,631</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
Direct Program:					
Justice Assistance Grant	16.738	2017-DJ-BX-0675	4,270	-	-
Justice Assistance Grant	16.738	2018-DJ-BX-0311	5,728	-	-
Passed-through U.S. Department of Defense:					
Bulletproof Vest Partnership Program	16.607	2020	4,102	-	-
Equitable Sharing Program	16.922	NC0230200	2,208	-	-
Total U.S. Dept. of Justice			<u>16,308</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	12,605,855	-	-
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	9,873,954	-	-
Total U.S. Environmental Protection Agency			<u>22,479,809</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205	48232.3.6	64,000	-	-
Total Highway and Planning Construction Cluster			64,000	-	-
Airport Improvement Program	20.106	36237.16.14.1	838,199	-	-
Total U.S. Dept. of Transportation			<u>902,199</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>24,343,947</u>	<u>-</u>	<u>-</u>
State Grants:					
<u>N.C. Department of Transportation:</u>					
Powell Bill	N/A	32570	-	702,735	-
State Aid to Airports Program	N/A	36244.23.13.2	-	988,912	-
Highway Construction Program	N/A	48232.3.6	-	8,000	-
State Aid to Airports Program	N/A	36244.23.11.1	-	95,268	-
Total N.C. Department of Transportation			<u>-</u>	<u>1,794,915</u>	<u>-</u>
Total assistance - state programs			<u>-</u>	<u>1,794,915</u>	<u>-</u>
Total assistance			<u>\$ 24,343,947</u>	<u>\$ 1,794,915</u>	<u>\$ -</u>

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2020Notes 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, 2020. 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 Principle:

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

3. Loans Outstanding

The City of Shelby had the following loan balances outstanding at June 30, 2020 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, 2020 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	E-SRF-T-15-0411	\$ 11,155,272
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	15,209,471

The City of Shelby had expenditures of \$12,605,855 at 6/30/20, under the Capitalization Grants for Clean Water State Revolving Funds. Draw downs made for the debt totaled \$11,155,272; therefore, there the debt balance at 6/30/20 is \$11,155,272. The City plans to make the final draw in FY 2021.

The City of Shelby had expenditures of \$9,873,954 at 6/30/20, under the Capitalization Grants for Drinking Water State Revolving funds. Draw downs made for therefore, debt balance at 6/30/20 totaled \$15,209,471. The City plans to make the final draw in FY 2021.

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.

