

**CITY OF SHELBY  
NORTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022**

**PREPARED BY:**

**CITY OF SHELBY FINANCE DEPARTMENT**



**CITY OF SHELBY, NORTH CAROLINA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR YEAR ENDED JUNE 30, 2022**

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# **INTRODUCTORY SECTION**



December 12, 2022

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 annual comprehensive financial report of the City of Shelby for the fiscal year ended June 30, 2022.

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 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, 2022, 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, 2022, 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 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, 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, if 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, Greenheck Fan, Ivars Design, KSM Castings Group, Steffes, 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, is has expanded its existing 990,000 sq. foot facility with an additional \$330 million in net new investment. Clearwater Paper Corporation previously employed approximately 264 employees and added another 180 through this expansion. Clearwater Paper Corporation has been annexed into the City and is being served by City utilities.

MAFIC, SA, a company that manufactures basalt fiber material, is completed construction with \$15 million in net new investment. MAFIC, SA will employ 113 employees at this facility. MAFIC SA is located within the City and is served by City utilities. This company began operating in FY 2021.

Greenheck Fan Corporation, a machining manufacturer of air movement and control equipment, 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. Jobs will include both manufacturing and professional positions.

Steffes, a family-owned, North Dakota headquartered equipment manufacturer specializing in steel fabrication and electrical services, has purchased the third of the City's Job-Ready shell buildings in August 2021. They plan to invest \$21 million in the new operations and create 130 jobs over five years with an average wage of \$47,392.

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 10-20 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 an updated Center City Master Plan in FY 2016. 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 2019 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.

In FY 2022 the City completed a Cost Allocation Plan which was implemented in the budget process for FY 2023. This plan allocates costs incurred by the General Fund on behalf of the Enterprise Funds and forms the basis for the monthly allocation of those costs.

**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 2023**

2021 was a tax revaluation year for the City of Shelby. The City tax rate will remain assessed at 51.75 cents per one hundred dollars of valuation for FY 2023. Budgeted expenditures in the Governmental activities are expected to be \$30,014,271 in FY 2023 – a 4% increase from FY 2022 with the largest part of these expenses relating to compensation – both pay and salary related benefits. This budget includes the purchase of various pieces of equipment such as blade servers, Motorola handheld radios and a grapple garbage truck which will be financed over a period of 59 months. Sanitation rates were increased based on the March, 2022 CPI – a 9.1% increase.

The City's water rates will increase by 4% for FY 2023 primarily to cover increased costs of operations and infrastructure maintenance. The residential electric rates for energy costs were reduced 3% in FY 2023. 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 2023. This budget includes the purchase of various pieces of equipment such as a Jetvac truck and a right of way mower which will be financed over a period of 59 months. Expenditures in the Business-Type activities are expected to be 15% higher in FY 2023 than FY 2022 due primarily to the rising cost of natural gas and related natural gas sales tax.

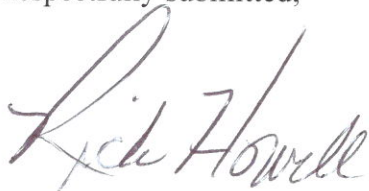
### AWARDS AND ACKNOWLEDGMENTS

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Shelby for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. This was the twenty-fourth 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 ACFR. 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 ACFR 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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

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City of Shelby, North Carolina

List of Principal Officials

June 30, 2022

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*Elected Officials*

Oliver Stanhope Anthony, III  
*Mayor*

Emilie Bullock

Andrew L. Hopper, Sr.  
*Mayor Pro Tem*

Violet Arth

David W. White

David Causby

Charles L. Webber

*City Administration*

Rick Howell  
*City Manager*

Justin S. Merritt  
*Assistant City Manager*

Ben Yarboro  
*Assistant City Manager*

Beth B. Beam  
*Director of Finance*

Carol Williams  
*City Clerk*

Vacant  
*Director of Energy Services*

Deborah Jolly  
*Director of Human Resources*

Jeff Ledford  
*Police Chief*

Charles K. Holtzclaw  
*Director of Parks & Recreation*

Scott Black - Interim  
*Director of Public Works*

William P. Hunt  
*Fire Chief*

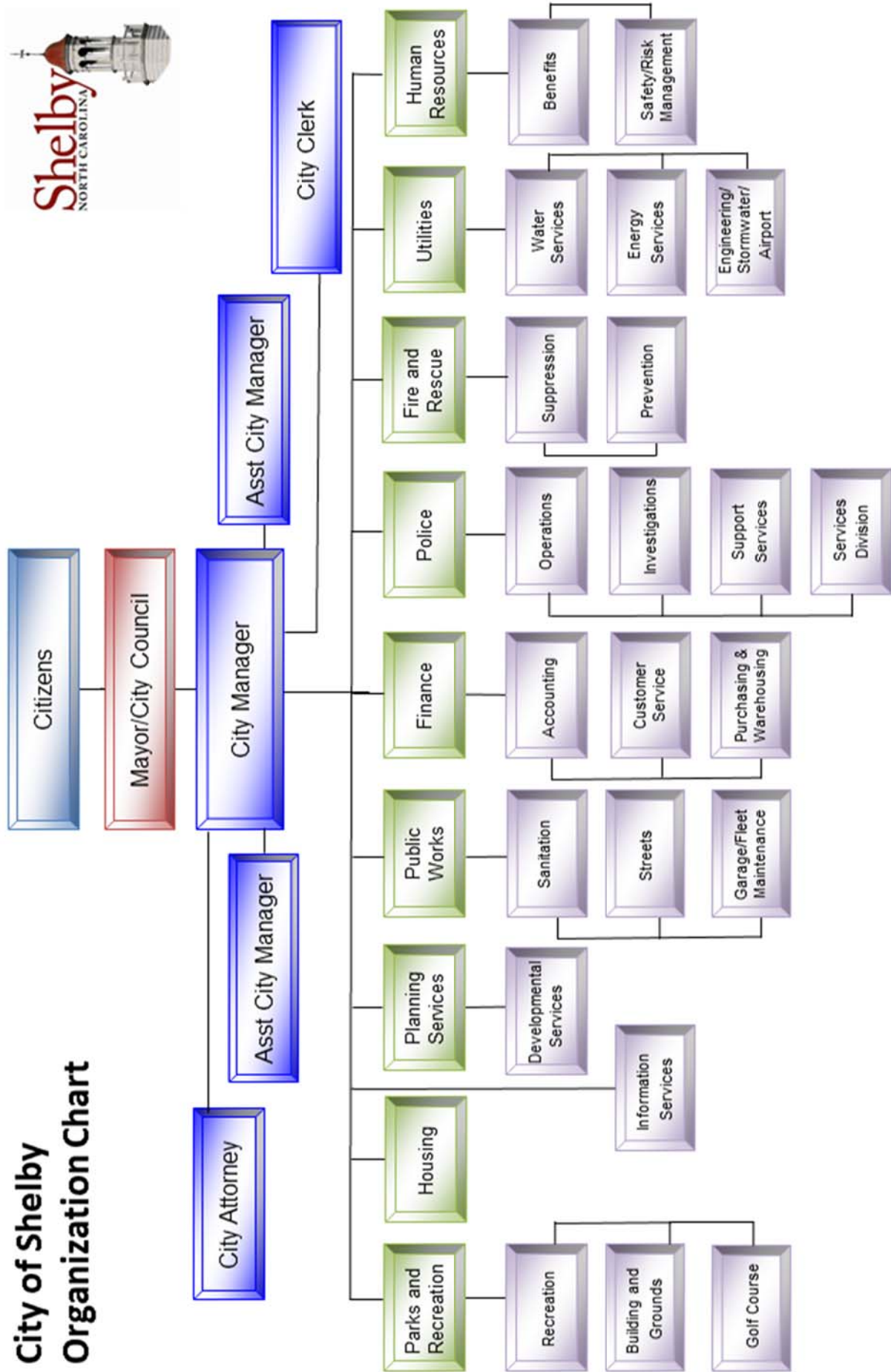
Bryan T. Howell  
*Director of Housing*

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

Natalia K. Isenberg  
*City Attorney*

David Hux  
*Director of Water Resources*

# 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 Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying 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, 2022, 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.

We did not audit the financial statements of the City of Shelby ABC Board. Those 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Shelby and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the City of Shelby ABC Board were not audited in accordance with *Government Auditing Standards*.

### ***Change in Accounting Principle***

As discussed in note 6 to the financial statements, for fiscal year ended June 30, 2022, the City of Shelby adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Shelby's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll, the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, economic, 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 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 combining and individual fund statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs 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 the purpose 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 to 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 the other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual fund 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.

### ***Other Information***

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory information and statistical section but does not include the basic financial statements and our auditor's opinion thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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, grant agreements, and other matters. The purpose of that 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 of Shelby'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  
December 12, 2022

## 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, 2022. 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

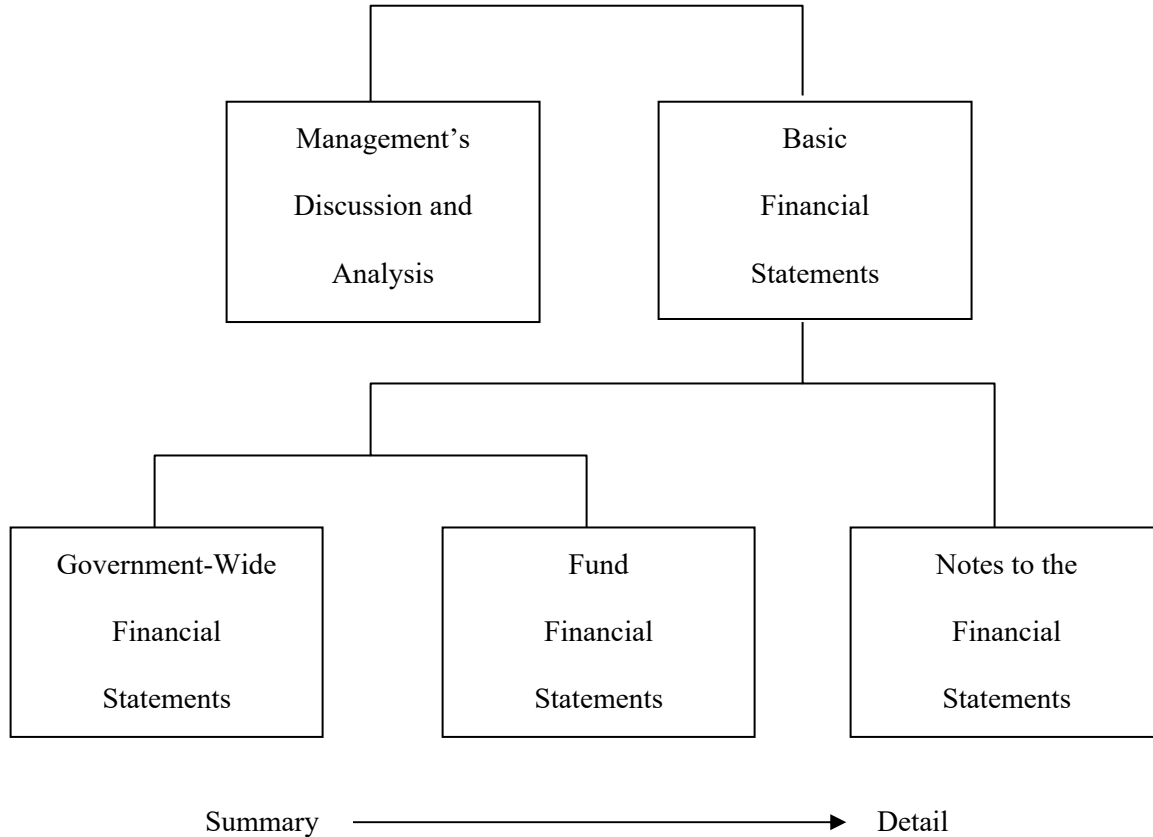
- The assets and deferred outflows of resources of the City of Shelby exceed its liabilities and deferred inflows of resources at the close of the fiscal year by \$209,119,048 (*net position*).
- The government's total net position increased by \$16,017,948, due to an increase of \$7,338,090 in governmental activities' net position and an increase of \$8,679,858 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 \$28,358,373, with a net increase in fund balance of \$11,151,750. Approximately 58.77 percent of this total amount, or \$16,666,731, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,491,108, or 25.77 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 nine 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 a major fund. The American Rescue Plan Fund is also considered a major fund and is therefore also discretely presented. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

## Government-Wide Financial Analysis

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>						
Current/other assets	\$ 35,862,087	\$ 18,736,711	\$ 42,522,077	\$ 42,034,356	\$ 78,384,164	\$ 60,771,067
Capital assets	<u>65,527,087</u>	<u>70,411,116</u>	<u>180,360,095</u>	<u>175,859,166</u>	<u>245,887,182</u>	<u>246,270,282</u>
Total assets	<u>101,389,174</u>	<u>89,147,827</u>	<u>222,882,172</u>	<u>217,893,522</u>	<u>324,271,346</u>	<u>307,041,349</u>
<b>Deferred Outflows of Resources</b>						
	<u>8,782,586</u>	<u>7,077,331</u>	<u>2,554,455</u>	<u>2,031,910</u>	<u>11,337,041</u>	<u>9,109,241</u>
<b>Liabilities:</b>						
Long-term liabilities	36,455,908	38,667,640	63,929,344	68,965,395	100,385,252	107,633,035
Other liabilities	<u>9,207,161</u>	<u>4,062,728</u>	<u>10,044,636</u>	<u>9,285,690</u>	<u>19,251,797</u>	<u>13,348,418</u>
Total liabilities	<u>45,663,069</u>	<u>42,730,368</u>	<u>73,973,980</u>	<u>78,251,085</u>	<u>119,637,049</u>	<u>120,981,453</u>
<b>Deferred Inflows of Resources</b>						
	<u>5,288,591</u>	<u>1,612,780</u>	<u>1,563,699</u>	<u>455,257</u>	<u>6,852,290</u>	<u>2,068,037</u>
<b>Net Position:</b>						
Net investment in capital assets	58,692,544	55,363,388	117,355,043	108,113,687	176,047,587	163,477,075
Restricted	8,920,184	6,460,704	-	-	8,920,184	6,460,704
Unrestricted	<u>(8,392,628)</u>	<u>(9,942,082)</u>	<u>32,543,905</u>	<u>33,105,403</u>	<u>24,151,277</u>	<u>23,163,321</u>
Total net position	<u>\$ 59,220,100</u>	<u>\$ 51,882,010</u>	<u>\$ 149,898,948</u>	<u>\$ 141,219,090</u>	<u>\$ 209,119,048</u>	<u>\$ 193,101,100</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 \$209,119,048 as of June 30, 2022. The City's net position increased by \$16,017,948 for the fiscal year ended June 30, 2022. 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, \$8,920,184, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,151,277 is unrestricted.

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

- Property tax collection rate remained stable with a current year collection rate of 98.83%, as compared with 98.48% in the previous year.
- Increase in sales tax collections contributed to increased revenues in the current year. With growth in the City's tax base, the ad valorem distribution percentage increased. Also, generally, people continued to "buy local" during the COVID-19 pandemic.
- Increase in charges for services and grants and contributions increased revenues in the current year.
- The Clearwater Paper Corporation S2 operations continued to positively influence the net position as well.
- City departments were cautioned on spending during the year because of the uncertainty of sustainability of sales tax revenue.



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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,367,789	\$ 2,956,600	\$ 64,202,170	\$ 58,795,503	\$ 67,569,959	\$ 61,752,103
Operating grants and contributions	1,938,770	1,932,462	725,886	646,920	2,664,656	2,579,382
Capital grants and contributions	1,794,576	1,436,537	383,908	201,390	2,178,484	1,637,927
General revenues:						
Property taxes	13,937,349	13,346,278	-	-	13,937,349	13,346,278
Other taxes	8,590,907	7,634,355	-	-	8,590,907	7,634,355
Investment earnings	55,907	24,645	13,223	4,377	69,130	29,022
Total revenues	<u>33,460,286</u>	<u>27,330,877</u>	<u>65,325,187</u>	<u>59,648,190</u>	<u>98,785,473</u>	<u>86,979,067</u>
<b>Expenses:</b>						
General government	3,986,284	3,682,445	-	-	3,986,284	3,682,445
Public safety	13,907,859	13,632,630	-	-	13,907,859	13,632,630
Transportation	4,772,158	3,257,654	-	-	4,772,158	3,257,654
Environmental protection	1,871,038	1,883,857	-	-	1,871,038	1,883,857
Cultural and recreational	3,325,160	3,002,858	-	-	3,325,160	3,002,858
Housing and redevelopment	1,488,920	838,885	-	-	1,488,920	838,885
Interest on long-term debt	243,713	447,735	-	-	243,713	447,735
Water	-	-	4,971,595	4,622,802	4,971,595	4,622,802
Sewer	-	-	5,271,286	5,072,184	5,271,286	5,072,184
Electric	-	-	19,077,607	18,666,030	19,077,607	18,666,030
Gas	-	-	21,769,529	14,222,102	21,769,529	14,222,102
Stormwater	-	-	718,947	815,497	718,947	815,497
Housing assistance	-	-	1,363,429	1,310,545	1,363,429	1,310,545
Total expenses	<u>29,595,132</u>	<u>26,746,064</u>	<u>53,172,393</u>	<u>44,709,160</u>	<u>82,767,525</u>	<u>71,455,224</u>
Change in net position before transfers	3,865,154	584,813	12,152,794	14,939,030	16,017,948	15,523,843
Transfers in (out)	<u>3,472,936</u>	<u>3,390,412</u>	<u>(3,472,936)</u>	<u>(3,390,412)</u>	-	-
Change in net position	7,338,090	3,975,225	8,679,858	11,548,618	16,017,948	15,523,843
<b>Net Position:</b>						
Beginning of year - July 1	<u>51,882,010</u>	<u>47,906,785</u>	<u>141,219,090</u>	<u>129,670,472</u>	<u>193,101,100</u>	<u>177,577,257</u>
End of year -June 30	<u>\$ 59,220,100</u>	<u>\$ 51,882,010</u>	<u>\$ 149,898,948</u>	<u>\$ 141,219,090</u>	<u>\$ 209,119,048</u>	<u>\$ 193,101,100</u>

**Governmental Activities.** Governmental activities increased the City’s net position by \$7,338,090. Key elements of this increase are as follows:

- Increase in property tax levy of around \$640,000 contributed to an overall increase in revenues in the current year;
- Increase in sales tax collections of around \$986,000 contributed to overall revenue increase in the current year as the ad valorem distribution percentage increased; and
- Revenue for building permits for new construction and renovation increased by around \$60,000; and
- General Fund financing increased a little over \$850,000 due in large part to a new fire apparatus; and
- During the COVID-19 pandemic, more people made purchases locally and increased on-line purchases which helped to bolster the sales & use tax receipts.

**Business-Type Activities.** Business-type activities increased the City of Shelby’s net position by \$8,679,858. Key elements of this increase are as follows:

- Increase in water rates resulted in approximately \$460,000 in additional revenue and new water taps contributed around \$200,00 in additional revenue; and
- Increase in sewer rates resulted in approximately \$540,000 in additional revenue and new sewer taps contributed around \$40,000 in additional revenue; and
- KSM Castings and Mafac companies were added to the natural gas off-system sales which contributed to additional natural gas revenue; and
- Inflows of cash, primarily through increased revenues from water, sewer and electric sales to customers. Clearwater Paper Corporation S2 was operational for the third full year, which continued to add to utility sales.

### **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 \$10,410,808, while total fund balance reached \$17,020,945. 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 and transfers out. Available fund balance represents 33.39% of total General Fund expenditures and transfers to other funds, while total fund balance represents 54.59% of that same amount.

At June 30, 2022, the governmental funds of the City of Shelby reported a combined fund balance of \$28,358,373, an increase of \$11,151,750 from last year. The primary reason for this increase is due to the unspent debt proceeds from the issuance of the GO Bonds for Street and Sidewalk improvements as well as the sale of assets. Revenue from sales tax experienced an upward trend in FY 2021 due to a better economy during the COVID-19 pandemic because of local shopping. That upward trend continued in FY 2022.

The American Rescue Plan Act fund of the City of Shelby plans to use the funds received for roof replacement and energy efficiency improvements for City Hall. The funding is also planned to be used for renovation and repair of the city owned building located at 311 S. Lafayette Street. As of June 30, 2022, the City has not spent any of the ARPA money.

**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 \$7,232,000 (25% of original General Fund budget,) of which a large part was sale of General Fund capital assets. 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 was as follows: the Water Fund was \$4,442,226; the Sewer Fund was \$4,727,804; the Electric Fund was \$11,024,735; and the Gas Fund was \$8,992,483. Factors of these funds have already been addressed in the discussion of the City of Shelby's business-type activities. The change in net position is due largely to the increase of water and sewer rates and system expansion.

### **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, 2022 totaled \$245,887,182 (net of accumulated depreciation). These assets include buildings, land, improvements, and equipment.

Major capital asset transactions during the year include:

- Construction in Progress of Job Ready Shell Building #3 of \$39,951
- Construction in Progress of Job Ready Shell Building #4 of \$1,602,753
- Construction in Progress of the Rail Trail of \$222,232
- Construction in Progress of City Park Pool Renovation of \$91,271
- Construction in Progress of Randolph Road Industrial Park sewer of \$145,380
- Construction in Progress of Electric Substation 8 Additions of \$105,696
- Construction in Progress of Highway 74 D&E gas line relocation of \$127,321
- Construction in Progress of TAMP Phase 1 gas line replacement of \$141,584.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 7,647,902	\$ 12,815,839	\$ 6,809,094	\$ 963,696	\$ 14,456,996	\$ 13,779,535
Buildings and systems	17,818,550	17,753,144	248,441,002	188,866,458	266,259,552	206,619,602
Improvements other than buildings	27,921,059	27,921,059	1,728,270	1,728,270	29,649,329	29,649,329
Machinery and equipment	10,526,573	10,185,828	7,182,540	6,852,096	17,709,113	17,037,924
Infrastructure	17,185,805	11,484,875	-	-	17,185,805	11,484,875
Vehicles and motorized equipment	9,231,092	10,868,485	4,333,187	4,040,918	13,564,279	14,909,403
Construction in progress	11,841,370	15,665,339	759,361	58,156,861	12,600,731	73,822,200
Subtotal	102,172,351	106,694,569	269,253,454	260,608,299	371,425,805	367,302,868
Less: accumulated depreciation	(36,645,264)	(36,283,453)	(88,893,359)	(84,749,133)	(125,538,623)	(121,032,586)
Capital assets, net	<u>\$ 65,527,087</u>	<u>\$ 70,411,116</u>	<u>\$ 180,360,095</u>	<u>\$ 175,859,166</u>	<u>\$ 245,887,182</u>	<u>\$ 246,270,282</u>

Additional information on the City's capital assets can be found in Note 2.A. of the basic financial statements located on pages 45-48.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Direct placement & direct borrowing						
installment purchase notes	\$ 8,165,251	\$ 15,623,350	\$ 51,721,943	\$ 54,323,713	\$ 59,887,194	\$ 69,947,063
General obligation bonds	6,000,000	-	-	-	6,000,000	-
Leases	152,878	-	4,020	-	156,898	-
Revenue bonds	-	-	11,574,072	13,754,269	11,574,072	13,754,269
Net pension liability-LGERS	2,617,708	6,403,008	758,810	1,889,484	3,376,518	8,292,492
Total pension liability-LEOSSA	4,069,189	3,994,593	-	-	4,069,189	3,994,593
Compensated absences	1,143,927	1,159,919	310,903	292,589	1,454,830	1,452,508
Other post-employment benefits	16,560,523	14,356,665	5,119,935	4,461,639	21,680,458	18,818,304
Total	<u>\$ 38,709,476</u>	<u>\$ 41,537,535</u>	<u>\$ 69,489,683</u>	<u>\$ 74,721,694</u>	<u>\$ 108,199,159</u>	<u>\$ 116,259,229</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue up to eight 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 \$136,700,000.

Additional information regarding the City of Shelby's long-term debt can be found in Note 2.B. on pages 52-64 of this audited financial report.

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

The following key economic indicators reflect the growth and prosperity of the City of Shelby.

- The State of North Carolina unemployment numbers declined from 4.6% in June 2021 to 3.4% in June 2022. Cleveland County's numbers changed from 5.4% in June 2021 to 4.4% in June 2022.
- MAFIC, SA, a company that manufactures basalt fiber material, completed construction with \$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. This company began operating in FY 2021.
- 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
- Ames Copper Group, a recycler and purifier of copper materials, announced a plan to invest \$70 million to build a new copper smelter plant in Shelby with plans to bring 46 jobs. That plant began operations in FY 2022.
- The City of Shelby completed and sold its third Job-Ready Shell building. It was sold to Steffes in August, 2021. Steffes is headquartered in North Dakota and is a family-owned equipment manufacturer specializing in steel fabrication and electrical services. They plan to invest \$21 million in the new operations and create 130 jobs over five years with an average wage of \$47,392.
- The City of Shelby has seen an increase in residential building and renovation/addition permit requests.
- The City of Shelby is beginning the building process of its fourth Job-Ready Shell building. Located on Randolph Road, this will be a 108,500 square foot industrial building with the ability to be expanded to 250,000 square feet. Efforts to market the building began in FY 2022 and will continue through FY 2023.

## Budget Highlights for the Fiscal Year Ending June 30, 2023

**Governmental Activities.** 2021 was a tax revaluation year for the City of Shelby. The City tax rate will remain assessed at 51.75 cents per one hundred dollars of valuation for FY 2023. Budgeted expenditures in the Governmental activities are expected to be \$30,014,271 in FY 2023 – a 4% increase from FY 2022 with the largest part of these expenses relating to compensation – both pay and salary related benefits. This budget includes the purchase of various pieces of equipment such as blade servers, Motorola handheld radios and a grapple garbage truck which will be financed over a period of 59 months. Sanitation rates were increased based on the March, 2022 CPI – a 9.1% increase.

**Business-Type Activities.** The City's water rates will increase by 4% for FY 2023 primarily to cover increased costs of operations and infrastructure maintenance. The residential electric rates for energy costs were reduced 3% in FY 2023. 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 2023. This budget includes the purchase of various pieces of equipment such as a Jetvac truck and a right of way mower which will be financed over a period of 59 months. Expenditures in the Business-Type activities are expected to be 15% higher in FY 2023 than FY 2022 due primarily to the rising cost of natural gas and related natural gas sales tax.

## 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 15,427,740	\$ 30,029,521	\$ 45,457,261	\$ 575,035
Taxes receivable, net	444,328	-	444,328	-
Accounts receivable, net	1,266,419	8,361,015	9,627,434	-
Notes receivable, current	404	31,846	32,250	-
Leases receivable, current	-	1,661	1,661	-
Due from other governments	3,774,227	21,402	3,795,629	-
Internal balances	(783,029)	783,029	-	-
Inventories	254,805	2,276,766	2,531,571	500,170
Prepaid items	455,589	171,551	627,140	4,798
Total current assets	<u>20,840,483</u>	<u>41,676,791</u>	<u>62,517,274</u>	<u>1,080,003</u>
Non-current assets:				
Cash and cash equivalents, restricted	14,869,171	592,006	15,461,177	-
Long-term notes receivable	-	225,514	225,514	-
Leases receivable, net of current portion	-	23,724	23,724	-
Right to use assets, net	152,433	4,042	156,475	-
Capital assets, non-depreciable	19,489,272	7,568,455	27,057,727	182,567
Capital assets, net	46,037,815	172,791,640	218,829,455	272,625
Total non-current assets	<u>80,548,691</u>	<u>181,205,381</u>	<u>261,754,072</u>	<u>455,192</u>
Total assets	<u>101,389,174</u>	<u>222,882,172</u>	<u>324,271,346</u>	<u>1,535,195</u>
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	3,746,551	1,119,101	4,865,652	-
Pension deferrals	5,036,035	1,144,413	6,180,448	123,581
Deferred charge on refunding	-	290,941	290,941	-
Total deferred outflows of resources	<u>8,782,586</u>	<u>2,554,455</u>	<u>11,337,041</u>	<u>123,581</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued liabilities	1,465,835	3,750,039	5,215,874	493,424
Accrued interest payable	46,640	95,172	141,812	-
Unearned revenue	-	47,080	47,080	-
Advances from grantors	5,441,118	-	5,441,118	-
Liabilities to be paid from restricted assets	-	592,006	592,006	-
Current portion of long-term liabilities	2,253,568	5,560,339	7,813,907	-
Total current liabilities	<u>9,207,161</u>	<u>10,044,636</u>	<u>19,251,797</u>	<u>493,424</u>

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



CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
Long-term liabilities:				
Net pension liability - LGERS	2,617,708	758,810	3,376,518	55,823
Total pension liability - LEOSSA	4,069,189	-	4,069,189	-
Total OPEB liability	16,560,523	5,119,935	21,680,458	-
Due in more than one year	13,208,488	58,050,599	71,259,087	-
Total long-term liabilities	<u>36,455,908</u>	<u>63,929,344</u>	<u>100,385,252</u>	<u>55,823</u>
Total liabilities	<u>45,663,069</u>	<u>73,973,980</u>	<u>119,637,049</u>	<u>549,247</u>
<b>Deferred Inflows of Resources:</b>				
Lease deferrals	-	25,373	25,373	-
OPEB deferrals	1,233,548	368,462	1,602,010	-
Pension deferrals	<u>4,055,043</u>	<u>1,169,864</u>	<u>5,224,907</u>	<u>79,754</u>
Total deferred inflows of resources	<u>5,288,591</u>	<u>1,563,699</u>	<u>6,852,290</u>	<u>79,754</u>
<b>Net Position:</b>				
Net investment in capital assets	58,692,544	117,355,043	176,047,587	475,192
Restricted for:				
Stabilization by state statute	6,680,440	-	6,680,440	-
Perpetual - non-expendable	1,601,187	-	1,601,187	-
Public safety	142,844	-	142,844	-
Streets - Powell Bill	495,713	-	495,713	-
Working capital	-	-	-	200,000
Unrestricted	<u>(8,392,628)</u>	<u>32,543,905</u>	<u>24,151,277</u>	<u>354,583</u>
Total net position	<u>\$ 59,220,100</u>	<u>\$ 149,898,948</u>	<u>\$ 209,119,048</u>	<u>\$ 1,029,775</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, 2022

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,986,284	\$ 458,730	\$ 142,356	\$ -
Public safety	13,907,859	486,950	1,133,754	-
Transportation	4,772,158	633,156	61,857	979,397
Environmental protection	1,871,038	1,317,515	-	-
Cultural and recreational	3,325,160	471,438	-	-
Housing and redevelopment	1,488,920	-	600,803	815,179
Interest on long-term debt	243,713	-	-	-
Total governmental activities	<u>29,595,132</u>	<u>3,367,789</u>	<u>1,938,770</u>	<u>1,794,576</u>
<b>Business-Type Activities:</b>				
Water Fund	4,971,595	6,141,622	18,345	-
Sewer Fund	5,271,286	6,852,517	7,499	-
Electric Fund	19,077,607	22,817,091	-	-
Gas Fund	21,769,529	26,778,243	2,128	-
Stormwater Fund	718,947	904,923	-	-
Housing Assistance Fund	1,363,429	707,774	697,914	383,908
Total business-type activities	<u>53,172,393</u>	<u>64,202,170</u>	<u>725,886</u>	<u>383,908</u>
Total primary government	<u>\$ 82,767,525</u>	<u>\$ 67,569,959</u>	<u>\$ 2,664,656</u>	<u>\$ 2,178,484</u>
<b>Component Unit:</b>				
City of Shelby ABC Board	<u>\$ 6,396,233</u>	<u>\$ 6,415,965</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, 2022

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	City of Shelby ABC Board
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (3,385,198)	\$ -	\$ (3,385,198)	
Public safety	(12,287,155)	-	(12,287,155)	
Transportation	(3,097,748)	-	(3,097,748)	
Environmental protection	(553,523)	-	(553,523)	
Cultural and recreational	(2,853,722)	-	(2,853,722)	
Housing and redevelopment	(72,938)	-	(72,938)	
Interest on long-term debt	(243,713)	-	(243,713)	
Total governmental activities	<u>(22,493,997)</u>	<u>-</u>	<u>(22,493,997)</u>	
<b>Business-Type Activities:</b>				
Water Fund	-	1,188,372	1,188,372	
Sewer Fund	-	1,588,730	1,588,730	
Electric Fund	-	3,739,484	3,739,484	
Gas Fund	-	5,010,842	5,010,842	
Stormwater Fund	-	185,976	185,976	
Housing Assistance Fund	-	426,167	426,167	
Total business-type activities	<u>-</u>	<u>12,139,571</u>	<u>12,139,571</u>	
Total primary government	<u>(22,493,997)</u>	<u>12,139,571</u>	<u>(10,354,426)</u>	
<b>Component Unit:</b>				
City of Shelby ABC Board				\$ <u>19,732</u>
<b>General Revenues:</b>				
Taxes				
Property tax	13,937,349	-	13,937,349	-
Sales tax	6,575,004	-	6,575,004	-
Franchise tax	1,913,081	-	1,913,081	-
Other taxes	102,822	-	102,822	-
Investment earnings	55,907	13,223	69,130	646
Gain on disposal of assets	<u>3,774,988</u>	<u>-</u>	<u>3,774,988</u>	<u>-</u>
Total general revenues, excluding transfers	26,359,151	13,223	26,372,374	646
Transfers	<u>3,472,936</u>	<u>(3,472,936)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>29,832,087</u>	<u>(3,459,713)</u>	<u>26,372,374</u>	<u>646</u>
Change in net position	7,338,090	8,679,858	16,017,948	20,378
<b>Net Position:</b>				
Beginning of year - July 1	<u>51,882,010</u>	<u>141,219,090</u>	<u>193,101,100</u>	<u>1,009,397</u>
End of year - June 30	<u>\$ 59,220,100</u>	<u>\$ 149,898,948</u>	<u>\$ 209,119,048</u>	<u>\$ 1,029,775</u>

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

CITY OF SHELBY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Major Funds			Total Governmental Funds
	General Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	
<b>Assets:</b>				
Cash and cash equivalents	\$ 9,061,559	\$ 5,239	\$ 6,360,942	\$ 15,427,740
Receivables, net:				
Taxes	443,182	-	1,146	444,328
Accounts	1,249,523	-	16,896	1,266,419
Loans	-	-	404	404
Due from other funds	1,639,390	-	-	1,639,390
Due from other governments	3,039,525	-	734,702	3,774,227
Inventories	254,805	-	-	254,805
Prepaid items	426,894	-	28,695	455,589
Restricted cash and cash equivalents	1,826,866	3,191,118	9,851,187	14,869,171
Total assets	<u>\$ 17,941,744</u>	<u>\$ 3,196,357</u>	<u>\$ 16,993,972</u>	<u>\$ 38,132,073</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 477,617	\$ -	\$ 988,218	\$ 1,465,835
Due to other funds	-	-	2,422,419	2,422,419
Advances from grantors	-	3,191,118	2,250,000	5,441,118
Total liabilities	<u>477,617</u>	<u>3,191,118</u>	<u>5,660,637</u>	<u>9,329,372</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	<u>443,182</u>	<u>-</u>	<u>1,146</u>	<u>444,328</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventories	254,805	-	-	254,805
Prepays	426,894	-	28,695	455,589
Perpetual	-	-	1,601,187	1,601,187
Restricted:				
Stabilization by state statute	5,928,438	-	752,002	6,680,440
Public safety	-	-	142,844	142,844
Capital purchases	1,331,153	-	-	1,331,153
Streets - Powell Bill	495,713	-	-	495,713
Transportation	-	-	6,000,000	6,000,000
Committed:				
General government	-	5,239	-	5,239
Economic development	-	-	688,179	688,179
Assigned:				
Subsequent year's expenditures	92,834	-	-	92,834
Economic development	-	-	3,762,404	3,762,404
Unassigned	8,491,108	-	(1,643,122)	6,847,986
Total fund balances	<u>17,020,945</u>	<u>5,239</u>	<u>11,332,189</u>	<u>28,358,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,941,744</u>	<u>\$ 3,196,357</u>	<u>\$ 16,993,972</u>	<u>\$ 38,132,073</u>

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

**CITY OF SHELBY, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	<b>Total Governmental Funds</b>
	<u>                    </u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Total fund balances	\$ 28,358,373
Capital assets, net of accumulated depreciation and right to use assets, net of accumulated amortization used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	65,679,520
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.	444,328
Deferred inflows of resources related to pensions are not reported in the funds.	
LGERS	(3,936,376)
LEOSSA	(118,667)
Deferred inflows of resources related to OPEB are not reported in the funds.	(1,233,548)
Deferred outflows of resources related to pensions are not reported in the funds.	
LGERS	3,987,377
LEOSSA	1,048,658
Deferred outflows of resources related to OPEB are not reported in the funds.	3,746,551
Net pension liability - LGERS	(2,617,708)
Total pension liability - LEOSSA	(4,069,189)
OPEB liability	(16,560,523)
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>(15,508,696)</u>
Net position of governmental activities per Exhibit A	<u>\$ 59,220,100</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, 2022

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>American Rescue Plan Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 13,804,863	\$ -	\$ 118,702	\$ 13,923,565
Other taxes and licenses	6,575,004	-	-	6,575,004
Unrestricted intergovernmental	2,220,978	-	-	2,220,978
Restricted intergovernmental	1,062,430	-	2,417,740	3,480,170
Permits and fees	432,334	-	-	432,334
Sales and services	2,453,533	-	-	2,453,533
Investment earnings (loss)	37,463	5,239	13,205	55,907
Donations	-	-	103,700	103,700
Miscellaneous	426,323	-	-	426,323
Total revenues	<u>27,012,928</u>	<u>5,239</u>	<u>2,653,347</u>	<u>29,671,514</u>
<b>Expenditures:</b>				
Current:				
General government	3,669,481	-	-	3,669,481
Public safety	13,309,185	-	97,207	13,406,392
Transportation	2,859,575	-	1,495,733	4,355,308
Environmental protection	1,883,238	-	-	1,883,238
Cultural and recreation	2,925,709	-	91,271	3,016,980
Housing and redevelopment	-	-	3,488,920	3,488,920
Debt service:				
Principal retirement	6,394,544	-	-	6,394,544
Interest and other charges	290,362	-	-	290,362
Total expenditures	<u>31,332,094</u>	<u>-</u>	<u>5,173,131</u>	<u>36,505,225</u>
Revenues over (under) expenditures	<u>(4,319,166)</u>	<u>5,239</u>	<u>(2,519,784)</u>	<u>(6,833,711)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,300,000	-	2,844,877	6,144,877
Transfers (to) other funds	(1,615,941)	-	(1,056,000)	(2,671,941)
Long-term debt issued	1,495,800	-	6,000,000	7,495,800
Lease liabilities issued	271,023	-	-	271,023
Proceeds from sale of assets	5,686,464	-	1,059,238	6,745,702
Total other financing sources (uses)	<u>9,137,346</u>	<u>-</u>	<u>8,848,115</u>	<u>17,985,461</u>
Net change in fund balances	4,818,180	5,239	6,328,331	11,151,750
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>12,202,765</u>	<u>-</u>	<u>5,003,858</u>	<u>17,206,623</u>
End of year - June 30	<u>\$ 17,020,945</u>	<u>\$ 5,239</u>	<u>\$ 11,332,189</u>	<u>\$ 28,358,373</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, 2022**

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) \$ 11,151,750

Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenue types:

Property taxes 13,784

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 and right to use assets. 3,198,084

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.

Compensated absences 15,992  
Pension expense - LGERS 405,050  
Pension expense - LEOSSA (307,762)  
Other post-employment benefits (560,998)

Book value of capital assets disposed of during the year, not recognized on modified accrual basis (5,648,214)

Reduction in long-term debt obligations upon sale of related asset 2,677,500

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. (7,766,823)

Depreciation expense allocates the costs of capital assets over their useful lives. Amortization expense allocates the cost to use leased assets over the terms of the leases. It is not reported as an expenditure in the governmental funds statement. (2,281,466)

Change in accrued interest payable, governmental fund debt 46,649

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. 6,394,544

Change in net position of governmental activities per Exhibit B \$ 7,338,090

*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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/Under</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 13,570,500	\$ 13,570,500	\$ 13,804,863	\$ 234,363
Other taxes and licenses	5,177,000	5,177,000	6,575,004	1,398,004
Unrestricted intergovernmental	2,244,000	2,244,000	2,220,978	(23,022)
Restricted intergovernmental	699,000	723,400	1,062,430	339,030
Permits and fees	223,300	223,300	432,334	209,034
Sales and services	2,136,900	2,266,900	2,453,533	186,633
Investment earnings	60,000	60,000	37,463	(22,537)
Miscellaneous	382,500	382,500	426,323	43,823
Total revenues	<u>24,493,200</u>	<u>24,647,600</u>	<u>27,012,928</u>	<u>2,365,328</u>
<b>Expenditures:</b>				
Current:				
General government	4,826,121	5,681,422	3,669,481	2,011,941
Public safety	14,091,959	14,106,503	13,125,212	981,291
Transportation	2,714,295	3,286,546	2,859,575	426,971
Environmental protection	2,144,010	2,221,395	1,883,238	338,157
Cultural and recreational	3,313,615	3,323,211	2,925,709	397,502
Debt service:				
Principal retirement	1,867,000	6,408,590	6,394,544	14,046
Interest and other charges	<u>305,000</u>	<u>290,940</u>	<u>290,362</u>	<u>578</u>
Total expenditures	<u>29,262,000</u>	<u>35,318,607</u>	<u>31,148,121</u>	<u>4,170,486</u>
Revenues over (under) expenditures	<u>(4,768,800)</u>	<u>(10,671,007)</u>	<u>(4,135,193)</u>	<u>6,535,814</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,300,000	3,300,000	3,300,000	-
Transfers (to) other funds	(47,000)	(1,615,941)	(1,615,941)	-
Long-term debt issued	1,495,800	1,495,800	1,495,800	-
Lease liabilities issued	-	-	87,050	87,050
Proceeds from sale of capital assets	20,000	6,463,850	5,686,464	(777,386)
Appropriated fund balance	-	<u>1,027,298</u>	-	<u>(1,027,298)</u>
Total other financing sources (uses)	<u>4,768,800</u>	<u>10,671,007</u>	<u>8,953,373</u>	<u>(1,717,634)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	4,818,180	<u>\$ 4,818,180</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Initial implementation of lease standard:				
Lease liabilities issued			183,973	
Capital outlay			(183,973)	
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>12,202,765</u>	
End of year - June 30			<u>\$ 17,020,945</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, 2022

	Major Enterprise Funds					Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund	Nonmajor Funds	
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 4,712,595	\$ 7,196,619	\$ 7,780,609	\$ 7,752,664	\$ 2,587,034	\$ 30,029,521
Accounts receivable, net	853,624	973,489	3,223,694	2,852,849	457,359	8,361,015
Advanced to other funds	-	-	100,000	10,000	-	110,000
Due from other funds	-	-	-	-	833,689	833,689
Due from other governments	-	240	-	11,816	9,346	21,402
Notes receivable, current	31,846	-	-	-	-	31,846
Leases receivable, current	1,661	-	-	-	-	1,661
Inventories	520,233	170,176	1,055,251	518,091	13,015	2,276,766
Prepaid items	20,964	19,821	63,435	51,976	15,355	171,551
Total current assets	<u>6,140,923</u>	<u>8,360,345</u>	<u>12,222,989</u>	<u>11,197,396</u>	<u>3,915,798</u>	<u>41,837,451</u>
Non-current assets:						
Restricted cash and cash equivalents	-	-	548,122	-	43,884	592,006
Advanced to other funds	-	-	1,500,000	860,000	-	2,360,000
Long-term notes receivable	225,514	-	-	-	-	225,514
Leases receivable, net of current portion	23,724	-	-	-	-	23,724
Right to use assets, net	-	-	-	-	4,042	4,042
Capital assets, non-depreciable	418,820	285,672	5,950,046	635,744	278,173	7,568,455
Capital assets, net	<u>55,364,906</u>	<u>72,879,436</u>	<u>19,445,202</u>	<u>20,124,317</u>	<u>4,977,779</u>	<u>172,791,640</u>
Total non-current assets	<u>56,032,964</u>	<u>73,165,108</u>	<u>27,443,370</u>	<u>21,620,061</u>	<u>5,303,878</u>	<u>183,565,381</u>
Total assets	<u>62,173,887</u>	<u>81,525,453</u>	<u>39,666,359</u>	<u>32,817,457</u>	<u>9,219,676</u>	<u>225,402,832</u>
<b>Deferred Outflows of Resources:</b>						
Contributions to pension plan in						
OPEB deferrals	243,283	291,939	243,283	243,283	97,313	1,119,101
Pension deferrals	258,876	287,905	215,986	275,467	106,179	1,144,413
Deferred charge on refunding	121,270	38,410	98,707	32,554	-	290,941
Total deferred outflows of resources	<u>623,429</u>	<u>618,254</u>	<u>557,976</u>	<u>551,304</u>	<u>203,492</u>	<u>2,554,455</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable and accrued liabilities	172,992	199,885	1,492,089	1,831,003	54,070	3,750,039
Accrued interest payable	53,346	26,679	7,177	7,970	-	95,172
Due to other funds	9,460	11,974	15,115	11,726	2,385	50,660
Advanced from other funds	27,250	82,750	-	-	-	110,000
Unearned revenue	-	-	47,080	-	-	47,080
Compensated absences payable	20,144	18,062	16,198	12,849	10,474	77,727
Current portion of long-term debt	2,213,607	2,496,361	418,072	333,752	20,820	5,482,612
Liabilities payable from restricted assets:						
Customer deposits	-	-	548,122	-	43,884	592,006
Total current liabilities	<u>2,496,799</u>	<u>2,835,711</u>	<u>2,543,853</u>	<u>2,197,300</u>	<u>131,633</u>	<u>10,205,296</u>
Non-current liabilities:						
Advanced from other funds	408,750	1,951,250	-	-	-	2,360,000
Compensated absences payable	60,433	54,185	48,593	38,546	31,419	233,176
Other long-term debt	22,489,339	31,477,088	2,000,915	1,811,448	38,633	57,817,423
Net pension liability	181,502	180,016	115,972	207,141	74,179	758,810
Other post-employment benefits	1,156,499	1,286,447	1,080,954	1,140,083	455,952	5,119,935
Total non-current liabilities	<u>24,296,523</u>	<u>34,948,986</u>	<u>3,246,434</u>	<u>3,197,218</u>	<u>600,183</u>	<u>66,289,344</u>
Total liabilities	<u>26,793,322</u>	<u>37,784,697</u>	<u>5,790,287</u>	<u>5,394,518</u>	<u>731,816</u>	<u>76,494,640</u>
<b>Deferred Inflows of Resources:</b>						
Lease deferrals	25,373	-	-	-	-	25,373
OPEB deferrals	80,100	96,121	80,100	80,101	32,040	368,462
Pension deferrals	254,245	305,016	254,245	254,244	102,114	1,169,864
Total deferred inflows of resources	<u>359,718</u>	<u>401,137</u>	<u>334,345</u>	<u>334,345</u>	<u>134,154</u>	<u>1,563,699</u>
<b>Net Position:</b>						
Net investment in capital assets	31,202,050	39,230,069	23,074,968	18,647,415	5,200,541	117,355,043
Unrestricted	<u>4,442,226</u>	<u>4,727,804</u>	<u>11,024,735</u>	<u>8,992,483</u>	<u>3,356,657</u>	<u>32,543,905</u>
Total net position	<u>\$ 35,644,276</u>	<u>\$ 43,957,873</u>	<u>\$ 34,099,703</u>	<u>\$ 27,639,898</u>	<u>\$ 8,557,198</u>	<u>\$ 149,898,948</u>

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

## CITY OF SHELBY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Operating Revenues:</b>						
Charges for services	\$ 5,748,941	\$ 6,472,042	\$ 22,205,245	\$ 26,580,391	\$ 1,606,297	\$ 62,612,916
Other fees	314,035	176,880	-	62,175	5,527	558,617
Other operating revenues	78,646	203,595	611,846	135,677	873	1,030,637
Total operating revenues	<u>6,141,622</u>	<u>6,852,517</u>	<u>22,817,091</u>	<u>26,778,243</u>	<u>1,612,697</u>	<u>64,202,170</u>
<b>Operating Expenses:</b>						
Administration	779,259	696,140	1,177,876	1,354,022	1,060,385	5,067,682
Operations and maintenance	812,530	1,024,736	17,067,167	19,586,243	722,141	39,212,817
Treatment plant	1,659,144	1,601,596	-	-	-	3,260,740
Depreciation	1,137,018	1,652,760	765,077	762,600	295,982	4,613,437
Amortization	17,324	5,487	14,100	4,651	2,492	44,054
Total operating expenses	<u>4,405,275</u>	<u>4,980,719</u>	<u>19,024,220</u>	<u>21,707,516</u>	<u>2,081,000</u>	<u>52,198,730</u>
Operating income (loss)	<u>1,736,347</u>	<u>1,871,798</u>	<u>3,792,871</u>	<u>5,070,727</u>	<u>(468,303)</u>	<u>12,003,440</u>
<b>Non-Operating Revenues (Expenses):</b>						
Grants	-	-	-	-	697,914	697,914
Refund of interest expense	18,345	7,499	-	2,128	-	27,972
Investment earnings (loss)	2,169	2,235	3,998	2,815	2,006	13,223
Interest expense and fiscal charges	(566,320)	(290,567)	(53,387)	(62,013)	(1,376)	(973,663)
Total non-operating revenues (expenses)	<u>(545,806)</u>	<u>(280,833)</u>	<u>(49,389)</u>	<u>(57,070)</u>	<u>698,544</u>	<u>(234,554)</u>
Income (loss) before capital contributions and transfers	1,190,541	1,590,965	3,743,482	5,013,657	230,241	11,768,886
Capital contributions	-	-	-	-	383,908	383,908
Transfers from other funds	399,000	544,000	-	113,000	-	1,056,000
Transfers to other funds	(5,000)	(5,000)	(1,305,818)	(3,213,118)	-	(4,528,936)
Change in net position	1,584,541	2,129,965	2,437,664	1,913,539	614,149	8,679,858
<b>Net Position:</b>						
Beginning year - July 1	<u>34,059,735</u>	<u>41,827,908</u>	<u>31,662,039</u>	<u>25,726,359</u>	<u>7,943,049</u>	<u>141,219,090</u>
End of year - June 30	<u>\$ 35,644,276</u>	<u>\$ 43,957,873</u>	<u>\$ 34,099,703</u>	<u>\$ 27,639,898</u>	<u>\$ 8,557,198</u>	<u>\$ 149,898,948</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, 2022

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 6,087,401	\$ 6,871,837	\$ 22,646,304	\$ 25,215,304	\$ 1,853,812	\$ 62,674,658
Cash paid for goods and services	(2,444,199)	(2,583,617)	(17,218,467)	(18,846,122)	(1,397,260)	(42,489,665)
Cash paid to employees	(767,383)	(672,125)	(1,177,893)	(1,357,331)	(395,660)	(4,370,392)
Net cash provided (used) by operating activities	<u>2,875,819</u>	<u>3,616,095</u>	<u>4,249,944</u>	<u>5,011,851</u>	<u>60,892</u>	<u>15,814,601</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Proceeds from non-capital grants	-	-	-	-	697,914	697,914
Increase (decrease) in due from other funds	(24,254)	(78,221)	104,195	1,509	(827,607)	(824,378)
Transfers from (to) other funds	<u>394,000</u>	<u>539,000</u>	<u>(1,305,818)</u>	<u>(3,100,118)</u>	<u>-</u>	<u>(3,472,936)</u>
Net cash provided (used) by non-capital financing activities	<u>369,746</u>	<u>460,779</u>	<u>(1,201,623)</u>	<u>(3,098,609)</u>	<u>(129,693)</u>	<u>(3,599,400)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(183,199)	(637,181)	(6,509,791)	(1,400,287)	(383,908)	(9,114,366)
Capital contributions - grants	-	-	-	-	383,908	383,908
Proceeds from issuance of long-term debt	148,076	438,722	355,000	120,000	-	1,061,798
Proceeds from bond refunding	5,191,351	2,515,202	1,888,349	1,152,098	-	10,747,000
Payment on notes receivable	30,293	-	-	-	-	30,293
Payment to escrow agent	(5,151,920)	(2,496,454)	(1,874,080)	(1,143,888)	-	(10,666,342)
Principal paid on long-term debt	(2,512,208)	(2,664,054)	(350,179)	(349,485)	(51,011)	(5,926,937)
Interest paid on long-term debt	(577,055)	(296,487)	(58,328)	(64,829)	(1,376)	(998,075)
Net cash provided (used) by capital and related financing activities	<u>(3,054,662)</u>	<u>(3,140,252)</u>	<u>(6,549,029)</u>	<u>(1,686,391)</u>	<u>(52,387)</u>	<u>(14,482,721)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest received from investments	<u>2,169</u>	<u>2,235</u>	<u>3,998</u>	<u>2,815</u>	<u>2,006</u>	<u>13,223</u>
Net increase (decrease) in cash and cash equivalents	193,072	938,857	(3,496,710)	229,666	(119,182)	(2,254,297)
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	<u>4,519,523</u>	<u>6,257,762</u>	<u>11,825,441</u>	<u>7,522,998</u>	<u>2,750,100</u>	<u>32,875,824</u>
End of year - June 30	<u>\$ 4,712,595</u>	<u>\$ 7,196,619</u>	<u>\$ 8,328,731</u>	<u>\$ 7,752,664</u>	<u>\$ 2,630,918</u>	<u>\$ 30,621,527</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 1,736,347	\$ 1,871,798	\$ 3,792,871	\$ 5,070,727	\$ (468,303)	\$ 12,003,440
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Amortization	17,324	5,487	14,100	4,651	2,492	44,054
Depreciation	1,137,018	1,652,760	765,077	762,600	295,982	4,613,437
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(52,814)	21,323	(165,163)	(1,582,208)	243,320	(1,535,542)
(Increase) decrease in leases receivable	(25,385)	-	-	-	-	(25,385)
(Increase) decrease in inventories	(62,407)	(15,469)	(222,826)	(67,368)	(5,741)	(373,811)
(Increase) decrease in prepaids	(1,804)	(1,808)	15,283	(40,447)	354	(28,422)
Increase (decrease) in accounts payable and accrued liabilities	90,291	57,989	24,397	847,936	(9,324)	1,011,289
Increase (decrease) in unearned revenues	-	-	21,288	19,269	-	40,557
Increase (decrease) in customer deposits	-	-	(26,912)	-	1,625	(25,287)
Increase (decrease) in compensated absences	1,750	11,861	21,703	(13,436)	(3,564)	18,314
(Increase) decrease in deferred outflows of resources for pensions	(34,271)	(41,126)	(34,271)	(34,271)	(13,709)	(157,648)
Increase (decrease) in lease deferrals	25,373	-	-	-	-	25,373
Increase (decrease) in net pension liability	(245,799)	(294,958)	(245,799)	(245,799)	(98,319)	(1,130,674)

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, 2022

	Major Enterprise Funds				Nonmajor Funds	Total Proprietary Funds
	Water Fund	Sewer Fund	Electric Fund	Gas Fund		
Increase (decrease) in deferred inflows of resources for pensions	253,769	304,523	253,769	253,769	101,508	1,167,338
(Increase) decrease in deferred outflows of resources for OPEB	(88,360)	(106,033)	(88,361)	(88,361)	(35,344)	(406,459)
Increase (decrease) in deferred inflows of resources for OPEB	(18,320)	(21,982)	(18,320)	(18,319)	(7,328)	(84,269)
Increase (decrease) in other post-employment benefits	143,107	171,730	143,108	143,108	57,243	658,296
Net cash provided (used) by operating activities	<u>\$ 2,875,819</u>	<u>\$ 3,616,095</u>	<u>\$ 4,249,944</u>	<u>\$ 5,011,851</u>	<u>\$ 60,892</u>	<u>\$ 15,814,601</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>						
Refund of interest expense	<u>\$ 18,345</u>	<u>\$ 7,499</u>	<u>\$ -</u>	<u>\$ 2,128</u>	<u>\$ -</u>	<u>\$ 27,972</u>
Right to use leased assets/lease liabilities issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 6,534</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, 2022

### 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, 2022

*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 City has no fiduciary funds to report. 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.

**ARPA Fund.** The ARPA Fund accounts for the American Rescue Plan Act (ARPA) funds awarded to the City. These funds can only be spent for eligible uses including: (1) to respond to the public health emergency or its negative economic impacts; (2) provide premium pay to eligible employees for essential work up to \$13 per hour; (3) to address revenue reductions; and (4) infrastructure investments in water, sewer, or broadband.

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 Emergency Telephone System Fund, the Economic Development Commission Fund, and the Affordable Housing 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, Capital Projects 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, 2022

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following nonmajor enterprise funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

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.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 American Rescue Plan Fund special revenue fund, governmental capital project funds and water, sewer, electric, and gas capital project 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 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.

### **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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

State law [G.S. 159-30 (c)(8)] 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 generally reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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**

Powell Bill funds 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. Advances from grantors in the American Rescue Plan Fund and other governmental funds are classified as restricted because their use is completely restricted for the purpose for which the grant funding was awarded. Unexpended debt proceeds are presented as restricted cash as their use is completely restricted to the purposes for which the funds were received or designated for by an outside third party. Donations for redevelopment, revitalization, and beautification of downtown Shelby and for perpetual care of the municipal cemetery are restricted by donors. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Restricted Cash

<b>Governmental Activities:</b>	
<b>General Fund:</b>	
Streets	\$ 495,713
Unspent debt proceeds	1,331,153
<b>American Rescue Plan Fund:</b>	
Advances from grantors	3,191,118
<b>Capital Project Funds:</b>	
Unspent debt proceeds	6,000,000
Advances from grantors	2,250,000
<b>Raper Roark Trust Fund:</b>	
Downtown redevelopment	708,035
<b>Cemetery Fund:</b>	
Perpetual care of cemetery	893,152
Total governmental activities	<u>\$ 14,869,171</u>
<b>Business-Type Activities:</b>	
<b>Electric Fund:</b>	
Customer deposits	\$ 548,122
<b>Housing Assistance Fund:</b>	
Customer deposits	43,884
Total business-type activities	<u>\$ 592,006</u>

### 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, 2021. 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.

### 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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **Leases Receivable**

The City's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Deferred inflows of resources are recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on a straight-line basis over the term of each lease.

### **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, 2022

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

### **Right-to-Use Assets**

The City has recorded right to use lease assets as a result of implementing GASB 87, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

### **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 assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criteria in the current year – a deferred 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 assets that applies to future periods and so will not be recognized as revenue until then. The City has several items that meet this criteria – property taxes receivable, lease deferrals, pension deferrals, and OPEB deferrals.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **Long-Term Obligations**

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

In fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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, 2022.

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.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Reimbursement for Pandemic-Related Expenses

During the 2021 fiscal year, the American Rescue Plan Act (ARPA) established the Coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$6,382,235 of fiscal recovery funds to be paid in two installments. The first installment of \$3,191,118 was received in July 2021, and the second installment of \$3,191,117 was received in July 2022. The City Council has elected to use the standard allowance of \$6,382,235 for revenue replacement. As of June 30, 2022, the City has spent none of the ARPA funds. Remaining revenue replacement funds will be transferred to the appropriate funds as the City determines the specific use of the funds.

### Net Position/Fund Balances

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

### Fund Balances

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

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.	\$ 254,805	\$ -
<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.	426,894	28,695
<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.	-	1,601,187
Total	\$ 681,699	\$ 1,629,882

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**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	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)].	\$ 5,928,438	\$ 740,719	\$ 11,283
<i>Restricted for Public Safety</i> - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.	-	142,844	-
<i>Restricted for Streets - Powell Bill</i> - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the total unexpended Powell Bill funds.	495,713	-	-
<i>Restricted for Transportation</i> - portion of fund balance (unspent grant proceeds) that is restricted by revenue source for capital expenditures.	-	6,000,000	-
<i>Restricted for Capital Purchases</i> - portion of fund balance (unspent debt proceeds) that is restricted by revenue source for vehicle and equipment purchases.	1,331,153	-	-
Total	\$ 7,755,304	\$ 6,883,563	\$ 11,283

Restricted fund balance differs on Exhibit A from Exhibit C for unspent debt proceeds in the governmental funds of \$7,331,153.



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**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.

	<b>American Rescue Plan Fund</b>	<b>Nonmajor Governmental Funds</b>
<i>Committed for General Government</i> - portion of fund balance that is committed for future grant activities.	\$ 5,239	\$ -
<i>Committed for Economic Development</i> - portion of fund balance that is committed for future development activities.	-	688,179
Total	\$ 5,239	\$ 688,179

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

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
<i>Assigned for Subsequent Year's Expenditures</i> - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.	\$ 92,834	\$ -
<i>Assigned for Economic Development</i> - portion of fund balance that is assigned for economic development.	-	3,762,404
Total	\$ 92,834	\$ 3,762,404

**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, 2022

The City Council adopted a formal Financial and Budgetary policy on June 21, 2021. 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)	\$ 17,020,945
<b>Less:</b>	
Non-spendable	(681,699)
Stabilization by state statute	<u>(5,928,438)</u>
Available for appropriation	<u>\$ 10,410,808</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 regarding custodial

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, the City’s deposits had a carrying amount of \$19,899,757 and a bank balance of \$20,768,361. Of the City’s bank balance, \$1,251,629 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 \$567,355 and a bank balance of \$565,316. 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 \$4,925 at June 30, 2022, and the ABC Board had petty cash of \$7,680.

### Investments

At June 30, 2022, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Less Than Six Months</u>
NCCMT - Govt Portfolio	Fair Value - Level 1	\$ 41,013,756	\$ 41,013,756

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 investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor’s and AAA-mf by Moody’s Investors Service as of June 30, 2022. 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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Receivables – Allowances for Doubtful Accounts**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Taxes receivable	\$ 196,000	\$ -	\$ 196,000
Accounts receivable	-	2,209,267	2,209,267
<b>Total</b>	<b>\$ 196,000</b>	<b>\$ 2,209,267</b>	<b>\$ 2,405,267</b>

Due from other governments consists of the following at June 30, 2022:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
General Fund sales tax refund	\$ 463,500	\$ -	\$ 463,500
General Fund local option sales tax	1,700,439	-	1,700,439
General Fund utility franchise tax	443,257	-	443,257
General Fund NCVTS and grants	132,075	-	132,075
General Fund other	300,254	-	300,254
Nonmajor grants	734,702	-	734,702
Sewer Fund sales tax	-	240	240
Gas Fund sales tax	-	11,816	11,816
Nonmajor fund sales tax	-	33	33
Nonmajor fund other	-	9,313	9,313
<b>Total</b>	<b>\$ 3,774,227</b>	<b>\$ 21,402</b>	<b>\$ 3,795,629</b>

**Leases Receivable**

The financial statements for the year ended June 30, 2022, include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Details of the City's leases receivable at June 30, 2022, are as follows:

On July 1, 2021, City of Shelby, NC entered into a 190-month lease as lessor for the use of land. An initial lease receivable was recorded in the amount of \$27,084. As of June 30, 2022, the value of the lease receivable is \$25,385. The lessee is required to make annual fixed payments of \$2,000. The lease has an interest rate of 1.3351%. The value of the deferred inflow of resources as of June 30, 2022, was \$25,373, and City of Shelby recognized lease revenue of \$1,711 during the fiscal year. The lessee has 2 options to extend, each for 60 months.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 12,815,839	\$ 479,840	\$ (5,647,777)	\$ -	\$ 7,647,902
Construction in progress	<u>15,665,339</u>	<u>1,877,398</u>	<u>(437)</u>	<u>(5,700,930)</u>	<u>11,841,370</u>
Total non-depreciable capital assets	<u>28,481,178</u>	<u>2,357,238</u>	<u>(5,648,214)</u>	<u>(5,700,930)</u>	<u>19,489,272</u>
<b>Depreciable Capital Assets:</b>					
Buildings	17,753,144	65,406	-	-	17,818,550
Other improvements	27,921,059	-	-	-	27,921,059
Machinery and equipment	10,185,828	346,895	(6,150)	-	10,526,573
Vehicles	10,868,485	157,522	(1,794,915)	-	9,231,092
Infrastructure	<u>11,484,875</u>	<u>-</u>	<u>-</u>	<u>5,700,930</u>	<u>17,185,805</u>
Total depreciable capital assets	<u>78,213,391</u>	<u>569,823</u>	<u>(1,801,065)</u>	<u>5,700,930</u>	<u>82,683,079</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	8,912,319	352,075	-	-	9,264,394
Other improvements	4,463,550	655,180	-	-	5,118,730
Machinery and equipment	8,606,045	360,683	(6,150)	-	8,960,578
Vehicles	9,155,409	553,303	(1,794,915)	-	7,913,797
Infrastructure	<u>5,146,130</u>	<u>241,635</u>	<u>-</u>	<u>-</u>	<u>5,387,765</u>
Total accumulated depreciation	<u>36,283,453</u>	<u>\$ 2,162,876</u>	<u>\$ (1,801,065)</u>	<u>\$ -</u>	<u>36,645,264</u>
Total depreciable capital assets, net	<u>41,929,938</u>				<u>46,037,815</u>
Governmental activities capital assets, net	<u>\$ 70,411,116</u>				<u>\$ 65,527,087</u>

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

<b>Governmental Activities:</b>	
General government	\$ 686,289
Public safety	466,259
Transportation	488,603
Environmental protection	239,128
Cultural and recreational	<u>282,597</u>
Total depreciation expense - governmental activities	<u>\$ 2,162,876</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending</u> <u>Balances</u>
<b>Water Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 184,599	\$ 10,000	\$ -	\$ 187,621	\$ 382,220
Construction in progress	28,888,911	39,534	-	(28,891,845)	36,600
Total non-depreciable capital assets	<u>29,073,510</u>	<u>49,534</u>	<u>-</u>	<u>(28,704,224)</u>	<u>418,820</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	13,696,543	15,175	-	-	13,711,718
Water extensions	33,043,356	4,100	-	28,704,224	61,751,680
Machinery and equipment	1,625,022	52,045	-	-	1,677,067
Vehicles	459,345	62,345	(13,225)	-	508,465
Total depreciable capital assets	<u>48,824,266</u>	<u>133,665</u>	<u>(13,225)</u>	<u>28,704,224</u>	<u>77,648,930</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	8,451,160	228,240	-	-	8,679,400
Water extensions	10,929,497	818,593	-	-	11,748,090
Machinery and equipment	1,391,119	59,037	-	-	1,450,156
Vehicles	388,455	31,148	(13,225)	-	406,378
Total accumulated depreciation	<u>21,160,231</u>	<u>\$ 1,137,018</u>	<u>\$ (13,225)</u>	<u>\$ -</u>	<u>22,284,024</u>
Total depreciable capital assets, net	<u>27,664,035</u>				<u>55,364,906</u>
Water Fund capital assets, net	<u>\$ 56,737,545</u>				<u>\$ 55,783,726</u>
<b>Sewer Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 58,402	\$ -	\$ -	\$ -	\$ 58,402
Construction in progress	27,242,060	284,049	-	(27,298,839)	227,270
Total non-depreciable capital assets	<u>27,300,462</u>	<u>284,049</u>	<u>-</u>	<u>(27,298,839)</u>	<u>285,672</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	17,064,273	41,906	-	19,695,794	36,801,973
Sewer extensions	51,642,113	212,609	-	7,603,045	59,457,767
Machinery and equipment	2,121,945	98,617	(266,591)	57,736	2,011,707
Vehicles	920,788	-	-	(25,780)	895,008
Total depreciable capital assets	<u>71,749,119</u>	<u>353,132</u>	<u>(266,591)</u>	<u>27,330,795</u>	<u>99,166,455</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	8,835,616	336,137	-	-	9,171,753
Sewer extensions	13,118,972	1,258,972	-	-	14,377,944
Machinery and equipment	2,078,093	36,286	(266,591)	57,736	1,905,524
Vehicles	836,213	21,365	-	(25,780)	831,798
Total accumulated depreciation	<u>24,868,894</u>	<u>\$ 1,652,760</u>	<u>\$ (266,591)</u>	<u>\$ 31,956</u>	<u>26,287,019</u>
Total depreciable capital assets, net	<u>46,880,225</u>				<u>72,879,436</u>
Sewer Fund capital assets, net	<u>\$ 74,180,687</u>				<u>\$ 73,165,108</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Electric Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 75,683	\$ 5,647,777	\$ -	\$ -	\$ 5,723,460
Construction in progress	549,911	132,575	-	(455,900)	226,586
Total non-depreciable capital assets	<u>625,594</u>	<u>5,780,352</u>	-	<u>(455,900)</u>	<u>5,950,046</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	4,626,956	-	-	-	4,626,956
Electric extensions	27,152,936	296,895	-	455,900	27,905,731
Machinery and equipment	1,146,837	-	-	-	1,146,837
Vehicles	1,376,686	432,544	(189,395)	-	1,619,835
Total depreciable capital assets	<u>34,303,415</u>	<u>729,439</u>	<u>(189,395)</u>	<u>455,900</u>	<u>35,299,359</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	2,380,961	68,600	-	-	2,449,561
Electric extensions	10,533,143	594,619	-	-	11,127,762
Machinery and equipment	1,123,621	23,216	-	-	1,146,837
Vehicles	1,240,750	78,642	(189,395)	-	1,129,997
Total accumulated depreciation	<u>15,278,475</u>	<u>\$ 765,077</u>	<u>\$ (189,395)</u>	<u>\$ -</u>	<u>15,854,157</u>
Total depreciable capital assets, net	<u>19,024,940</u>				<u>19,445,202</u>
Electric Fund capital assets, net	<u>\$ 19,650,534</u>				<u>\$ 25,395,248</u>
<b>Gas Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 366,839	\$ -	\$ -	\$ -	\$ 366,839
Construction in progress	1,475,979	1,151,106	-	(2,358,180)	268,905
Total non-depreciable capital assets	<u>1,842,818</u>	<u>1,151,106</u>	-	<u>(2,358,180)</u>	<u>635,744</u>
<b>Depreciable Capital Assets:</b>					
Buildings and system	3,075,561	-	-	-	3,075,561
Gas extensions	29,151,920	186,716	-	2,358,180	31,696,816
Machinery and equipment	1,265,887	62,465	-	(57,736)	1,270,616
Vehicles	991,393	-	-	25,780	1,017,173
Total depreciable capital assets	<u>34,484,761</u>	<u>249,181</u>	-	<u>2,326,224</u>	<u>37,060,166</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	610,956	54,610	-	-	665,566
Sewer extensions	13,530,191	645,926	-	-	14,176,117
Machinery and equipment	1,232,906	15,943	-	(57,736)	1,191,113
Vehicles	831,152	46,121	-	25,780	903,053
Total accumulated depreciation	<u>16,205,205</u>	<u>\$ 762,600</u>	<u>\$ -</u>	<u>\$ (31,956)</u>	<u>16,935,849</u>
Total depreciable capital assets, net	<u>18,279,556</u>				<u>20,124,317</u>
Gas Fund capital assets, net	<u>\$ 20,122,374</u>				<u>\$ 20,760,061</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balances</u>
<b>Stormwater Fund:</b>					
<b>Depreciable Capital Assets:</b>					
Machinery and equipment	\$ 522,193	\$ -	\$ -	\$ -	\$ 522,193
Vehicles	75,268	-	-	-	75,268
Total depreciable capital assets	<u>597,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,461</u>
<b>Less Accumulated Depreciation:</b>					
Machinery and equipment	376,999	53,376	-	-	430,375
Vehicles	75,268	-	-	-	75,268
Total accumulated depreciation	<u>452,267</u>	<u>\$ 53,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>505,643</u>
Total depreciable capital assets, net	<u>145,194</u>				<u>91,818</u>
Stormwater Fund capital assets, net	<u>\$ 145,194</u>				<u>\$ 91,818</u>
<b>Housing Assistance Fund:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 278,173	\$ -	\$ -	\$ -	\$ 278,173
<b>Depreciable Capital Assets:</b>					
Buildings and system	9,412,800	-	-	-	9,412,800
Other improvements	1,728,270	-	-	-	1,728,270
Machinery and equipment	170,212	383,908	-	-	554,120
Vehicles	217,438	-	-	-	217,438
Total depreciable capital assets	<u>11,528,720</u>	<u>383,908</u>	<u>-</u>	<u>-</u>	<u>11,912,628</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and system	5,692,554	184,406	-	-	5,876,960
Other improvements	756,572	45,109	-	-	801,681
Machinery and equipment	170,212	2,921	-	-	173,133
Vehicles	164,723	10,170	-	-	174,893
Total accumulated depreciation	<u>6,784,061</u>	<u>\$ 242,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,026,667</u>
Total depreciable capital assets, net	<u>4,744,659</u>				<u>4,885,961</u>
Housing Assistance Fund capital assets, net	<u>\$ 5,022,832</u>				<u>\$ 5,164,134</u>
Total business-type capital assets	<u>\$ 175,859,166</u>				<u>\$ 180,360,095</u>



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Right-to-Use Assets**

The City is the lessee for non-cancellable leases of equipment and vehicles. The City recognizes lease liabilities and an intangible right to use the leased assets (right-to-use assets) in the government-wide and proprietary financial statements. The lease liabilities are discussed in Note 2.B, Long-term Obligations, Lease Liabilities. The right-to-use assets are being amortized on a straight-line basis over the lease terms.

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
<b>Governmental Activities:</b>				
<b>Right-to-Use Assets:</b>				
Equipment	\$ -	\$ 35,897	\$ -	\$ 35,897
Vehicles	-	235,126	-	235,126
Total	-	271,023	-	271,023
<b>Accumulated Amortization:</b>				
Equipment	-	3,098	-	3,098
Vehicles	-	115,492	-	115,492
Total	-	\$ 118,590	\$ -	118,590
Right-to-use assets, net	<u>\$ -</u>			<u>\$ 152,433</u>
<b>Business-Type Activities:</b>				
<b>Housing Fund:</b>				
<b>Right-to-Use Assets:</b>				
Equipment	\$ -	\$ 6,534	\$ -	\$ 6,534
<b>Accumulated Amortization:</b>				
Equipment	-	\$ 2,492	\$ -	2,492
Right-to-use assets, net	<u>\$ -</u>			<u>\$ 4,042</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Construction Commitments

The City has active construction projects as of June 30, 2022. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Project Authorizations</u>	<u>Remaining Commitment</u>
<b>Governmental:</b>		
CDBG Corona Virus Pass Thru Grant (CDBGC)	\$ 945,000	\$ 74,500
City Hall Roof Replacement (CHROF)	640,000	55,400
Uptown Streetscape/Pedestrian Improvements (USPIP)	4,890,975	11,333
Airport T-Hangar Project (APTHP)	4,329,998	7,748
Airport Layout Plan 2020 (ALP20)	250,000	1,271
Airport T-Hangar #4 Project (APTH4)	1,493,100	85,671
City Park Pool Renovation Project (CPPRP)	107,300	16,529
Rail Trail Corridor (RLTRL)	3,509,350	432,365
Job Ready Shell Building #4 (SHL#4)	<u>8,939,000</u>	<u>7,356,892</u>
Total	<u>25,104,723</u>	<u>8,041,709</u>
<b>Business-Type:</b>		
<i>Water Fund:</i>		
24" Cross-Town Waterline Extension-S.Tank/Forest Hill (61841)	<u>550,300</u>	<u>513,700</u>
<i>Sewer Fund:</i>		
Randolph Rd. Industrial Park Sewer Extension (62878)	1,696,042	1,419,829
Hickory Creek Sewer Outfall Replace (62879)	<u>283,285</u>	<u>201,395</u>
Total	<u>1,979,327</u>	<u>1,621,224</u>
<i>Electric Fund:</i>		
Substation 8 Additional Circuit (63876)	414,000	88,840
Substation 10 Line Replacement (63877)	<u>732,000</u>	<u>211,289</u>
Total	<u>1,146,000</u>	<u>300,129</u>
<i>Gas Fund:</i>		
Highway 74 Bypass Sections "D & E" Gas Relocation (64885)	175,000	47,979
TAMP Phase 1 NG Line Relocation (64889)	<u>960,000</u>	<u>40,787</u>
Total	<u>1,135,000</u>	<u>88,766</u>
Total	<u>\$ 29,915,350</u>	<u>\$ 10,565,528</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Capital asset activity for the ABC Board for the year ended June 30, 2022 was as follows:

<u>Component Unit</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 182,567	\$ -	\$ -	\$ 182,567
<b>Depreciable Capital Assets:</b>				
Buildings	707,946	94,745	-	802,691
Office and store equipment	253,006	16,555	-	269,561
Land improvements	1,950	-	-	1,950
Vehicle	28,375	-	-	28,375
Total depreciable capital assets	<u>991,277</u>	<u>111,300</u>	<u>-</u>	<u>1,102,577</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	639,390	5,444	-	644,834
Office and store equipment	162,182	14,776	-	176,958
Land improvements	496	97	-	593
Vehicle	4,729	2,838	-	7,567
Total accumulated depreciation	<u>806,797</u>	<u>\$ 23,155</u>	<u>\$ -</u>	<u>829,952</u>
Total depreciable capital assets, net	<u>184,480</u>			<u>272,625</u>
ABC Board capital assets, net	<u>\$ 367,047</u>			<u>\$ 455,192</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, 2022 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 1,251,638	\$ 574,646
Accrued gas and electric purchases	-	3,109,912
Accrued payroll liabilities	214,197	65,481
Total accounts payable and accrued liabilities	<u>\$ 1,465,835</u>	<u>\$ 3,750,039</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Long-Term Obligations

#### Lease Liabilities

The financial statements for the year ended June 30, 2022, include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information on the right to use lease assets refer to Note 2.A., Right to use Lease Assets. Details of the City's lease liabilities at June 30, 2022, are as follows:

The City has entered into agreements to lease certain equipment and buildings. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On July 1, 2021, the City was the lessee of a 15-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$11,779. As of June 30, 2022, the value of the lease liability was \$2,360. The City is required to make monthly fixed payments of \$787, including interest at a rate of 0.4661%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$2,355 at June 30, 2022. The lease has a guaranteed residual value payment of \$1,920.

On July 1, 2021, the City was the lessee of a 15-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$11,957. As of June 30, 2022, the value of the lease liability was \$2,396. The City is required to make monthly fixed payments of \$799, including interest at a rate of 0.4661%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$2,391 at June 30, 2022. The lease has a guaranteed residual value payment of \$1,950.

On July 1, 2021, the City was the lessee of a 19-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$11,333. As of June 30, 2022, the value of the lease liability was \$4,186. The City is required to make monthly fixed payments of \$599, including interest at a rate of 0.5925%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,175 at June 30, 2022. The lease has a guaranteed residual value payment of \$5,950.

On July 1, 2021, the City was the lessee of a 18-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$13,060. As of June 30, 2022, the value of the lease liability was \$4,364. The City is required to make monthly fixed payments of \$729, including interest at a rate of 0.5925%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,353 at June 30, 2022. The lease has a guaranteed residual value payment of \$7,191.

## CITY OF SHELBY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

On July 1, 2021, the City was the lessee of a 31-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$20,629. As of June 30, 2022, the value of the lease liability was \$12,939. The City is required to make monthly fixed payments of \$652, including interest at a rate of 0.8453%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$12,712 at June 30, 2022. The lease has a guaranteed residual value payment of \$6,658.

On March 22, 2022, the City entered into a 60-month lease as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$32,628. As of June 30, 2022, the value of the lease liability was \$31,059. The City is required to make monthly fixed payments of \$586, including interest at a rate of 2.3621%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$30,833 at June 30, 2022.

On July 1, 2021, the City was the lessee of a 30-month lease for the use of postage meter. An initial lease liability was recorded in the amount of \$3,269. As of June 30, 2022, the value of the lease liability was \$1,965. The City is required to make quarterly fixed payments of \$330, including interest at a rate of 0.8453%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$1,966 at June 30, 2022.

On July 1, 2021, the City was the lessee of a 18-month lease for the use of vehicle. An initial lease liability was recorded in the amount of \$13,060. As of June 30, 2022, the value of the lease liability was \$4,364. The City is required to make monthly fixed payments of \$729, including interest at a rate of 0.5925%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,353 at June 30, 2022. The lease has a guaranteed residual value payment of \$7,191.

On July 1, 2021, the City was the lessee of a 31-month lease for the use of a copier. An initial lease liability was recorded in the amount of \$6,534. As of June 30, 2022, the value of the lease liability was \$4,020. The City is required to make monthly fixed payments of \$213, including interest at a rate of 0.8453%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,042 at June 30, 2022.

On July 1, 2021, the City was the lessee of a 36-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$24,822. As of June 30, 2022, the value of the lease liability was \$16,614. The City is required to make monthly fixed payments of \$698, including interest at a rate of 0.8453%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$16,601 at June 30, 2022. The lease has a guaranteed residual value payment of \$7,155.

On July 1, 2021, the City was the lessee of a 36-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$28,732. As of June 30, 2022, the value of the lease liability was \$19,225. The City is required to make monthly fixed payments of \$808, including interest at a rate of 0.8453%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$19,155 at June 30, 2022. The lease has a guaranteed residual value payment of \$8,323.

## CITY OF SHELBY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

On July 8, 2021, the City entered into a 36-month lease as lessee for the use of a vehicle. An initial lease liability was recorded in the amount of \$24,863. As of June 30, 2022, the value of the lease liability was \$16,628. The City is required to make monthly fixed payments of \$698, including interest at a rate of 0.7663%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$16,737 at June 30, 2022. The lease has a guaranteed residual value payment of \$7,155.

On July 8, 2021, the City entered into a 36-month lease as lessee for the use of a vehicle. An initial lease liability was recorded in the amount of \$29,559. As of June 30, 2022, the value of the lease liability was \$20,034. The City is required to make monthly fixed payments of \$808, including interest at a rate of 0.7663%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$20,102 at June 30, 2022. The lease has a guaranteed residual value payment of \$8,323.

On July 1, 2021, the City was the lessee of a 19-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$11,333. As of June 30, 2022, the value of the lease liability was \$4,186. The City is required to make monthly fixed payments of \$599, including interest at a rate of 0.5925%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,175 at June 30, 2022. The lease has a guaranteed residual value payment of \$5,950.

On July 1, 2021, the City was the lessee of a 19-month lease for the use of a vehicle. An initial lease liability was recorded in the amount of \$11,333. As of June 30, 2022, the value of the lease liability was \$4,186. The City is required to make monthly fixed payments of \$599, including interest at a rate of 0.5925%. As a result of the lease, the City has recorded a right-to-use asset with a net book value of \$4,175 at June 30, 2022. The lease has a guaranteed residual value payment of \$5,950.

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**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 are as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 85,535	\$ 1,269	\$ 86,804	\$ 2,533	\$ 24	\$ 2,557
2024	48,370	695	49,065	1,487	4	1,491
2025	7,486	358	7,844	-	-	-
2026	6,838	198	7,036	-	-	-
2027	4,649	41	4,690	-	-	-
<b>Total</b>	<b>\$ 152,878</b>	<b>\$ 2,561</b>	<b>\$ 155,439</b>	<b>\$ 4,020</b>	<b>\$ 28</b>	<b>\$ 4,048</b>

**General Obligation Bonds**

The City’s general obligation bonds serviced by the governmental funds were issued for street and sidewalk improvements. All general obligation bonds are collateralized by the full faith credit and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2022 are comprised of the following individual issues:

    Serviced by the General Fund:

\$6,000,000 Series 2022 Street and Sidewalk Improvement Bonds; annual principal installments of \$400,000 due December 1; semi-annual interest payments at 2.70 percent due December 1 and June 1 through June 2037.	<u>\$ 6,000,000</u>
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Debt service requirements to maturity of general obligation bonds are as follow:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 400,000	\$ 155,250	\$ 555,250
2024	400,000	151,200	551,200
2025	400,000	140,400	540,400
2026	400,000	129,600	529,600
2027	400,000	118,800	518,800
2028-2032	2,000,000	432,000	2,432,000
2033-2037	2,000,000	162,000	2,162,000
<b>Total</b>	<b>\$ 6,000,000</b>	<b>\$ 1,289,250</b>	<b>\$ 7,289,250</b>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Installment Debt

All financing arrangements that have an outstanding balance at June 30, 2022 are summarized as follows:

Financing Agreements	Interest Rate	Date Debt Matures	Amount of Original Debt	Balance Outstanding at June 30, 2022					
				Governmental Activities	Business-Type Activities				
					Water Fund	Sewer Fund	Electric Fund	Gas Fund	Stormwater Fund
2014 DENR	0.00%	2034	\$ 726,000	\$ -	\$ -	\$ 435,587	\$ -	\$ -	\$ -
2015 DENR	0.00%	2029	3,130,438	-	-	2,034,785	-	-	-
2015DENR	0.00%	2029	9,396,658	-	-	6,577,661	-	-	-
Hannah Park	2.83%	2032	7,700,000	5,133,333	-	-	-	-	-
2018 Purchase of equipment	2.39%	2024	1,440,000	264,255	-	2,841	25,151	6,300	3,688
2019 DENR	1.53%	2039	16,349,774	-	14,785,065	-	-	-	-
2020 DENR	0.00%	2040	19,145,415	-	-	18,349,067	-	-	-
2019 Purchase of equipment	2.95%	2025	479,700	199,813	104,125	2,697	17,083	14,593	7,504
2020 Purchase of equipment	1.42%	2025	1,103,671	571,745	7,242	35,532	-	52,600	-
2021 Purchase of equipment	1.68%	2025	1,330,143	500,305	56,298	24,113	349,816	94,894	44,241
2022 Purchase of equipment	1.58%	2027	2,284,000	1,495,800	70,000	243,200	355,000	120,000	-
Cleveland County	3.25%	2033	11,064,000	-	2,985,719	4,071,415	-	845,726	-
<b>Total</b>			<u>\$ 83,938,325</u>	<u>\$ 8,165,251</u>	<u>\$ 18,008,449</u>	<u>\$ 31,776,898</u>	<u>\$ 747,050</u>	<u>\$ 1,134,113</u>	<u>\$ 55,433</u>

### Governmental Activities Long-Term Debt

The future minimum payments of the governmental activities long-term notes payable as of June 30, 2022 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2023	\$ 1,482,051	\$ 194,138	\$ 1,676,189
2024	1,228,359	163,268	1,391,627
2025	1,122,918	136,229	1,259,147
2026	943,613	112,643	1,056,256
2027	821,646	92,035	913,681
2028-2032	<u>2,566,664</u>	<u>217,910</u>	<u>2,784,574</u>
<b>Total</b>	<u>\$ 8,165,251</u>	<u>\$ 916,223</u>	<u>\$ 9,081,474</u>



**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The City’s outstanding notes from direct placements related to governmental activities of \$8,165,251 are secured with collateral of the property and equipment. Each note contains provisions 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.

The City’s direct placement note payable to Cleveland County of \$2,677,500 at June 30, 2021 was satisfied with the sale of property during the year ended June 30, 2021. The interlocal agreement specified that the County and the City share in the costs of planning, design, and construction at 50 percent. The County provided financing for the project through a direct placement installment contract with a bank and advanced those funds to the City. The interlocal agreement required the City to made one half of each debt service payment that came due prior to the property being sold. One payment was required during the fiscal year ended June 30, 2021 and no payments were required during the year ended June 30, 2022 prior to the sale of the property. Once the property was sold, the County and City split the proceeds of sale at 50 percent. The City’s share of the installment contract was satisfied with proceeds of the sale, and the excess proceeds were split 50 percent between the County and the City.

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

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

<b>Year Ending June 30</b>	<b>Water Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,201,153	\$ 321,622	\$ 1,522,775
2024	1,203,004	298,147	1,501,151
2025	1,150,414	274,547	1,424,961
2026	1,148,433	252,502	1,400,935
2027	1,134,479	230,510	1,364,989
2028-2032	5,599,827	827,051	6,426,878
2033-2037	4,106,963	377,019	4,483,982
2038-2040	2,464,176	75,404	2,539,580
<b>Total</b>	<b>\$ 18,008,449</b>	<b>\$ 2,656,802</b>	<b>\$ 20,665,251</b>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>Year Ending</b>	<b>Sewer Fund</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$	2,081,398	\$ 128,080	\$ 2,209,478
2024		2,104,187	114,863	2,219,050
2025		2,103,002	101,434	2,204,436
2026		2,092,265	88,070	2,180,335
2027		2,086,936	63,396	2,150,332
2028-2032		10,184,204	185,220	10,369,424
2033-2037		7,256,732	12,348	7,269,080
2038-2041		3,868,174	-	3,868,174
<b>Total</b>	<b>\$</b>	<b>31,776,898</b>	<b>\$ 693,411</b>	<b>\$ 32,470,309</b>

<b>Year Ending</b>	<b>Electric Fund</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$	188,770	\$ 10,118	\$ 198,888
2024		165,513	7,647	173,160
2025		158,899	5,339	164,238
2026		160,671	3,191	163,862
2027		73,197	1,156	74,353
<b>Total</b>	<b>\$</b>	<b>747,050</b>	<b>\$ 27,451</b>	<b>\$ 774,501</b>

<b>Year Ending</b>	<b>Gas Fund</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$	162,418	\$ 29,937	\$ 192,355
2024		157,143	26,221	183,364
2025		149,473	22,482	171,955
2026		133,000	18,992	151,992
2027		109,195	15,796	124,991
2028-2032		422,884	38,511	461,395
<b>Total</b>	<b>\$</b>	<b>1,134,113</b>	<b>\$ 151,939</b>	<b>\$ 1,286,052</b>

<b>Year Ending</b>	<b>Stormwater Fund</b>			
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$	18,287	\$ 785	\$ 19,072
2024		14,828	476	15,304
2025		11,141	244	11,385
2026		11,177	115	11,292
<b>Total</b>	<b>\$</b>	<b>55,433</b>	<b>\$ 1,620</b>	<b>\$ 57,053</b>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The City’s outstanding notes from direct borrowings and direct placements related to business-type activities is \$51,721,943.

\$1,636,918 of these notes are secured with collateral of the property and equipment. Each note contains provisions 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.

The City’s direct placement notes payable to Cleveland County totaling \$7,902,860 related to business-type activities are secured with property. The interlocal agreements 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.

Direct borrowing notes of \$33,134,132 are secured with collateral of water plant and sewer plant upgrades. The NCDENR notes 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, 2022 are as follows:

	<u>Interest Rates</u>	<u>Date Series Matures</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2022</u>
Combined Enterprise System, Series 2016	1.95%	2032	\$ 3,020,000	\$ 2,015,072
Combined Enterprise System, Refunding Series 2021	1.40%	2031	10,747,000	<u>9,559,000</u>
Total				<u>\$ 11,574,072</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Revenue bond debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Water Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,012,454	\$ 100,999	\$ 1,113,453
2024	1,025,782	85,701	1,111,483
2025	1,041,505	70,182	1,111,687
2026	677,262	55,753	733,015
2027	685,394	45,109	730,503
2028-2031	2,252,100	78,117	2,330,217
<b>Total</b>	<b>\$ 6,694,497</b>	<b>\$ 435,861</b>	<b>\$ 7,130,358</b>

<b>Year Ending June 30</b>	<b>Sewer Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 414,963	\$ 29,297	\$ 444,260
2024	419,301	23,472	442,773
2025	424,435	17,583	442,018
2026	277,664	12,158	289,822
2027	279,863	8,263	288,126
2028-2031	380,325	5,349	385,674
<b>Total</b>	<b>\$ 2,196,551</b>	<b>\$ 96,122</b>	<b>\$ 2,292,673</b>

<b>Year Ending June 30</b>	<b>Electric Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 229,302	\$ 22,605	\$ 251,907
2024	231,676	19,385	251,061
2025	235,408	16,129	251,537
2026	239,139	12,820	251,959
2027	240,835	9,467	250,302
2028-2031	495,577	8,695	504,272
<b>Total</b>	<b>\$ 1,671,937</b>	<b>\$ 89,101</b>	<b>\$ 1,761,038</b>

<b>Year Ending June 30</b>	<b>Gas Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 171,334	\$ 13,555	\$ 184,889
2024	173,115	11,150	184,265
2025	175,424	8,718	184,142
2026	134,680	6,405	141,085
2027	135,704	4,517	140,221
2028-2031	220,830	3,479	224,309
<b>Total</b>	<b>\$ 1,011,087</b>	<b>\$ 47,824</b>	<b>\$ 1,058,911</b>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The City has pledged future water, sewer, electric, and gas customer revenues, net of specified operating expenses, to repay \$13,767,000 revenue bonds series 2016 and 2021. 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 \$12,242,980. Principal and interest paid for the current year and total customer net revenues were \$13,249,020 and \$16,642,713, 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, 2022 was as follows:

Operating revenues	\$ 62,589,473
Operating expenses*	<u>45,758,713</u>
Net income available for debt service	<u>\$ 16,830,760</u>
Debt service, principal, and interest paid (Revenue bond only)	<u>\$ 2,582,678</u>
Debt service coverage ratio	<u>651.68%</u>

\*Per rate covenants, this does not include depreciation and amortization expense of \$4,359,017.

### Refunding Bonds

On November 1, 2021, the City issued \$10,747,000 combined enterprise system revenue refunding bonds series 2021. \$10,666,342 of the bonds proceeds along with \$881,551 of City funds were used for a current refunding of \$11,547,893 of combined enterprise system revenue bonds series 2010, series 2013A, series 2013C, and series 2015. The liabilities for these revenue bonds have been removed from the business-type activities column of the statement of net position. This refunding was undertaken to reduce the total debt service payments by approximately \$1,759,000 and resulted in an economic gain of approximately \$1,677,000.

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Changes in Long-Term Liabilities.** Long-term liability activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Direct placement installment debt	\$ 15,623,350	\$ 1,495,800	\$ (8,953,899)	\$ 8,165,251	\$ 1,482,051
General obligation bonds	-	6,000,000	-	6,000,000	400,000
Lease liabilities	-	271,023	(118,145)	152,878	85,535
Total pension liability - LEO	3,994,593	74,596	-	4,069,189	-
Compensated absences	1,159,919	1,755,822	(1,771,814)	1,143,927	285,982
Net pension liability - LGERS	6,403,008	-	(3,785,300)	2,617,708	-
Total OPEB liability	<u>14,356,665</u>	<u>2,203,858</u>	<u>-</u>	<u>16,560,523</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 41,537,535</u>	<u>\$ 11,801,099</u>	<u>\$ (14,629,158)</u>	<u>\$ 38,709,476</u>	<u>\$ 2,253,568</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
<b>Water Fund:</b>					
Revenue bonds	\$ 7,963,347	\$ 5,191,351	\$ (6,460,201)	\$ 6,694,497	\$ 1,012,454
Direct placement & direct borrowing installment debt	19,064,300	148,076	(1,203,927)	18,008,449	1,201,153
Compensated absences	78,827	108,774	(107,024)	80,577	20,144
Net pension liability - LGERS	427,301	-	(245,799)	181,502	-
Total OPEB liability	<u>1,013,392</u>	<u>143,107</u>	<u>-</u>	<u>1,156,499</u>	<u>-</u>
Water Fund long-term liabilities	<u>\$ 28,547,167</u>	<u>\$ 5,591,308</u>	<u>\$ (8,016,951)</u>	<u>\$ 26,121,524</u>	<u>\$ 2,233,751</u>

<b>Sewer Fund:</b>					
Revenue bonds	\$ 2,711,831	\$ 2,515,202	\$ (3,030,482)	\$ 2,196,551	\$ 414,963
Direct placement & direct borrowing installment debt	33,468,202	438,722	(2,130,026)	31,776,898	2,081,398
Compensated absences	60,386	122,551	(110,690)	72,247	18,062
Net pension liability - LGERS	474,974	-	(294,958)	180,016	-
Total OPEB liability	<u>1,114,717</u>	<u>171,730</u>	<u>-</u>	<u>1,286,447</u>	<u>-</u>
Sewer Fund long-term liabilities	<u>\$ 37,830,110</u>	<u>\$ 3,248,205</u>	<u>\$ (5,566,156)</u>	<u>\$ 35,512,159</u>	<u>\$ 2,514,423</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
<b>Electric Fund:</b>					
Revenue bonds	\$ 1,874,080	\$ 1,888,349	\$ (2,090,492)	\$ 1,671,937	\$ 229,302
Direct placement installment debt	525,817	355,000	(133,767)	747,050	188,770
Compensated absences	43,088	87,038	(65,335)	64,791	16,198
Net pension liability - LGERS	361,771	-	(245,799)	115,972	-
Total OPEB liability	<u>937,846</u>	<u>143,108</u>	<u>-</u>	<u>1,080,954</u>	<u>-</u>
Electric Fund long-term liabilities	<u>\$ 3,742,602</u>	<u>\$ 2,473,495</u>	<u>\$ (2,535,393)</u>	<u>\$ 3,680,704</u>	<u>\$ 434,270</u>
<b>Gas Fund:</b>					
Revenue bonds	\$ 1,205,011	\$ 1,152,098	\$ (1,346,022)	\$ 1,011,087	\$ 171,334
Direct placement installment debt	1,161,464	120,000	(147,351)	1,134,113	162,418
Compensated absences	64,831	88,117	(101,553)	51,395	12,849
Net pension liability - LGERS	452,940	-	(245,799)	207,141	-
Total OPEB liability	<u>996,975</u>	<u>143,108</u>	<u>-</u>	<u>1,140,083</u>	<u>-</u>
Gas Fund long-term liabilities	<u>\$ 3,881,221</u>	<u>\$ 1,503,323</u>	<u>\$ (1,840,725)</u>	<u>\$ 3,543,819</u>	<u>\$ 346,601</u>
<b>Housing Assistance Fund:</b>					
Compensated absences	\$ 33,551	\$ 49,325	\$ (52,889)	\$ 29,987	\$ 7,497
Lease liabilities	-	6,534	(2,514)	4,020	2,533
Net pension liability - LGERS	172,498	-	(98,319)	74,179	-
Total OPEB liability	<u>398,709</u>	<u>57,243</u>	<u>-</u>	<u>455,952</u>	<u>-</u>
Housing Assistance long-term liabilities	<u>\$ 604,758</u>	<u>\$ 113,102</u>	<u>\$ (153,722)</u>	<u>\$ 564,138</u>	<u>\$ 10,030</u>
<b>Stormwater Fund:</b>					
Direct placement installment debt	\$ 103,930	\$ -	\$ (48,497)	\$ 55,433	\$ 18,287
Compensated absences	<u>11,906</u>	<u>15,485</u>	<u>(15,485)</u>	<u>11,906</u>	<u>2,977</u>
Stormwater Fund long-term liabilities	<u>\$ 115,836</u>	<u>\$ 15,485</u>	<u>\$ (63,982)</u>	<u>\$ 67,339</u>	<u>\$ 21,264</u>
<b>Total Business-Type Activities:</b>					
Revenue bonds	\$ 13,754,269	\$ 10,747,000	\$ (12,927,197)	\$ 11,574,072	\$ 1,828,053
Direct placement & direct borrowing installment debt	54,323,713	1,061,798	(3,663,568)	51,721,943	3,652,026
Lease liabilities	-	6,534	(2,514)	4,020	2,533
Compensated absences	292,589	471,290	(452,976)	310,903	77,727
Net pension liability - LGERS	1,889,484	-	(1,130,674)	758,810	-
Total OPEB liability	<u>4,461,639</u>	<u>658,296</u>	<u>-</u>	<u>5,119,935</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 74,721,694</u>	<u>\$ 12,944,918</u>	<u>\$ (18,176,929)</u>	<u>\$ 69,489,683</u>	<u>\$ 5,560,339</u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Compensated absences are typically liquidated in the General Fund.

At June 30, 2022, the City has a legal debt margin of approximately \$136,700,000.

### **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 Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

##### *Benefits Provided*

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



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 was 12.10% of compensation for law enforcement officers and 11.35% 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 \$1,908,147 for the year ended June 30, 2022. The ABC Board's contributions to LGERS for the year ended June 30, 2022 were \$41,707.

### *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, 2022, the City reported a liability of \$3,376,518 for its proportionate share of the net pension liability and the ABC Board reported \$55,823. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, (measurement date) the City's proportion was 0.22017%, which was a decrease of 0.01189% from its proportion measured as of June 30, 2020.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

For the year ended June 30, 2022, the City recognized pension expense of \$1,382,114. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 1,074,192	\$ -
(Increase) decreases of assumptions	2,121,316	-
Net difference between projected and actual earnings on pension plan investments	-	4,824,030
(Increase) decreases in proportion and differences between City contributions and proportionate share of contributions	28,135	282,210
City contributions subsequent to the measurement date	<u>1,908,147</u>	<u>-</u>
Total	<u>\$ 5,131,790</u>	<u>\$ 5,106,240</u>

\$1,908,147 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, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2023	\$ 224,645
2024	(176,220)
2025	(454,841)
2026	(1,476,181)
2027	-
Thereafter	-
Total	<u>\$ (1,882,597)</u>

*Actuarial Assumptions*

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2022

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, 2020 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 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%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*Discount Rate*

The discount rate used to measure the total pension liability was 6.50%. 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 13,107,363	\$ 3,376,518	\$ (4,631,401)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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, 2022

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	13
Active members	<u>72</u>
Total	<u><u>85</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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 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, 2020 valuation were based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

***Mortality Assumption:*** All mortality rates use Pub-2010 amount-weighted tables.

***Mortality Projection:*** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

***Deaths After Retirement (Healthy):*** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Deaths After Retirement (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

**Deaths After Retirement (Survivors of Deceased Members):** Mortality rates are based on the Below-Median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-Median Teachers Mortality Table for Employees is used for ages less than 45.

**Deaths Prior To Retirement:** Mortality rates are based on the Safety Mortality Table for Employees.

**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 \$181,946 as benefits came due.

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

At June 30, 2022, the City reported a total pension liability of \$4,069,189. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$506,748.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 284,076	\$ 8,908
Changes of assumptions and other inputs	662,357	109,759
City benefit payments and administrative expenses subsequent to the measurement date	102,225	-
Total	\$ 1,048,658	\$ 118,667

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$102,225 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, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2023	\$ 253,578
2024	240,215
2025	234,985
2026	99,138
2027	(150)
Thereafter	-
Total	<u>\$ 827,766</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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Current Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	<u>\$ 4,387,665</u>	<u>\$ 4,069,189</u>	<u>\$ 3,777,515</u>

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

	<b>2022</b>
Beginning balance	\$ 3,994,593
Service cost	183,762
Interest on the total pension liability	75,340
Differences between expected and actual experience in the measurement of the total pension liability	96,352
Changes of assumptions or other inputs	(98,912)
Benefit payments	<u>(181,946)</u>
Ending balance of the total pension liability	<u>\$ 4,069,189</u>

## CITY OF SHELBY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The actuarial assumptions used in the December 31, 2020 valuation was based on the results of an actuarial experience study for the five-year period ended December 31, 2019.

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Proportionate share of net pension liability	0.22017%	n/a	-
Pension liability	\$ 3,376,518	\$ 4,069,189	\$ 7,445,707
Pension expense	1,382,114	506,748	1,888,862
	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pensions - difference between expected and actual experience	\$ 1,074,192	\$ 284,076	\$ 1,358,268
(Increase) decreases of assumptions	2,121,316	662,357	2,783,673
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	28,135	-	28,135
Benefit payments and administration costs subsequent to the measurement date	1,908,147	102,225	2,010,372
Total	<b>\$ 5,131,790</b>	<b>\$ 1,048,658</b>	<b>\$ 6,180,448</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pensions - difference between expected and actual experience	\$ -	\$ 8,908	\$ 8,908
(Increase) decreases of assumptions	-	109,759	109,759
Net difference between projected and actual earnings on pension plan investments	4,824,030	-	4,824,030
Pensions - change in proportion and differences between employer contributions and proportionate share of contributions	282,210	-	282,210
Total	<b>\$ 5,106,240</b>	<b>\$ 118,667</b>	<b>\$ 5,224,907</b>



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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 Annual Comprehensive Financial Report for the State of North Carolina. The state’s Annual Comprehensive Financial Report 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 \$825,880 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, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	58
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	306
	<u>364</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Total OPEB Liability**

The City’s total OPEB liability of \$21,680,458 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2021 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
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Discount rate	2.16 percent
Salary increases, including wage inflation	
General employees	3.25 to 8.41 percent
Firefighters	3.25 to 8.15 percent
Law enforcement officers	3.25 to 7.90 percent
Healthcare Cost Trends:	
Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2031

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at June 30, 2021	<u>\$ 18,818,304</u>
(Increase) decreases for the year:	
Service cost	951,356
Interest	427,070
Differences between expected and actual experience	71,417
Changes of assumptions or other inputs	2,307,668
Benefit payments	<u>(895,357)</u>
Net changes	<u>2,862,154</u>
Balance at June 30, 2022	<u><u>\$ 21,680,458</u></u>

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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Mortality rates were based on the RP-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	<u>\$ 24,013,815</u>	<u>\$ 21,680,458</u>	<u>\$ 19,614,099</u>

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 19,182,340</u>	<u>\$ 21,680,458</u>	<u>\$ 24,674,343</u>

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,630,224. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 136,044	\$ 1,014,335
Changes of assumptions and other inputs	3,834,336	587,675
City benefit payments and administrative expenses subsequent to the measurement date	<u>895,272</u>	<u>-</u>
Total	<u>\$ 4,865,652</u>	<u>\$ 1,602,010</u>

\$895,272 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, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2023	\$ 245,412
2024	245,412
2025	259,865
2026	363,965
2027	413,389
Thereafter	<u>840,327</u>
Total	<u>\$ 2,368,370</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 Governmental 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

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

### Deferred Outflows and Inflows of Resources

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

Source	Deferred Outflows	Deferred Inflows
Contributions to pension plan in current fiscal year:		
LGERS	\$ 1,908,147	\$ -
LEOSSA	102,225	-
Benefit payments/administration costs paid subsequent to the measurement date (OPEB)	895,272	-
Differences between expected and actual experience:		
LGERS	1,074,192	-
LEOSSA	284,076	8,908
OPEB	136,044	1,014,335
(Increase) decreases in assumptions:		
LGERS	2,121,316	-
LEOSSA	662,357	109,759
OPEB	3,834,336	587,675
Net difference between projected and actual:		
LGERS	-	4,824,030
(Increase) decreases in proportion and differences between employer contributions and proportionate share:		
LGERS	28,135	282,210
Deferred charge on refunding	290,941	-
Taxes receivable (General Fund)	-	443,182
Taxes receivable (nonmajor funds)	-	1,146
Lease deferrals	-	25,373
Total	\$ 11,337,041	\$ 7,296,618

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **Risk Management**

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

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

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

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

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

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

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

At June 30, 2022, 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.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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.

**3. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Advances and due to/from other funds:		
General Fund	Capital Projects Fund	\$ 1,588,730
General Fund	Water Fund	9,460
General Fund	Sewer Fund	11,974
General Fund	Electric Fund	15,115
General Fund	Gas Fund	11,726
General Fund	Housing Assistance Fund	2,385
Electric Fund	Water Fund	436,000
Electric Fund	Sewer Fund	1,164,000
Gas Fund	Sewer Fund	870,000
Housing Assistance Fund	Affordable Housing Fund	<u>833,689</u>
Total		<u>\$ 4,943,079</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, 2022 was \$870,000. 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, 2022 for the Water and Sewer Funds were \$436,000 and \$1,164,000, respectively. The \$50,660 interfund receivables between the General fund and Capital Projects, Water, Sewer, Electric, Gas, and Housing Assistance Funds are due to timing differences and are due and payable in less than a year.

**CITY OF SHELBY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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	
Nonmajor Special Revenue Fund	General Fund	406,936	Economic development purposes - project contributions
	Water Fund	5,000	
	Sewer Fund	5,000	
	Electric Fund	405,818	
	Gas Fund	705,818	
Nonmajor Capital Project Fund	General Fund	1,209,005	Capital project funding
	Gas Fund	107,300	
Water Fund	Econ. Dev. Commision	399,000	Economic development incentive
Sewer Fund	Econ. Dev. Commision	544,000	
Gas Fund	Econ. Dev. Commision	113,000	
Total		<u>\$ 7,200,877</u>	



# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 4. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following:

<b>Governmental Activities:</b>	
Capital assets and right to use assets, net	\$ 65,679,520
Outstanding balance on related debt	(14,318,129)
Unspent debt proceeds	<u>7,331,153</u>
Total governmental activities	<u><u>\$ 58,692,544</u></u>
<b>Business-Type Activities:</b>	
<b>Water Fund:</b>	
Capital assets, net of accumulated depreciation	\$ 55,783,726
Outstanding balance on related debt	(24,702,946)
Deferred charge on refunding	<u>121,270</u>
Total Water	<u><u>31,202,050</u></u>
<b>Sewer Fund:</b>	
Capital assets, net of accumulated depreciation	73,165,108
Outstanding balance on related debt	(33,973,449)
Deferred charge on refunding	<u>38,410</u>
Total Sewer	<u><u>39,230,069</u></u>
<b>Electric Fund:</b>	
Capital assets, net of accumulated depreciation	25,395,248
Outstanding balance on related debt	(2,418,987)
Deferred charge on refunding	<u>98,707</u>
Total Electric	<u><u>23,074,968</u></u>
<b>Gas Fund:</b>	
Capital assets, net of accumulated depreciation	20,760,061
Outstanding balance on related debt	(2,145,200)
Deferred charge on refunding	<u>32,554</u>
Total Gas	<u><u>18,647,415</u></u>
<b>Stormwater Fund:</b>	
Capital assets, net of accumulated depreciation	91,818
Outstanding balance on related debt	<u>(55,433)</u>
Total Stormwater	<u><u>36,385</u></u>
<b>Housing Assistance Fund:</b>	
Capital assets and right to use assets, net	5,168,176
Outstanding balance on related debt	<u>(4,020)</u>
Total Housing Assistance	<u><u>5,164,156</u></u>
Total business-type activities	<u><u>\$ 117,355,043</u></u>

# CITY OF SHELBY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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, 2022, were \$13,875,773.

The City is a member of the Foothills Regional Commission (formerly 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 \$15,989 to the Commission during the year ended June 30, 2022.

### 6. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments’ leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.



## **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 Governmental Employees' Retirement System
- Schedule of Contributions to the Local Governmental 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-Employee 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 FIVE FISCAL YEARS**

	<b>Total OPEB Liability</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 18,818,304	\$ 16,252,566	\$ 16,973,586	\$ 16,938,421	\$ 17,227,773
Service cost	951,356	690,967	749,635	777,437	844,592
Interest on TOL and cash flows	427,070	578,432	643,340	587,434	507,111
Differences between expected and actual experience	71,417	32,807	(1,569,626)	83,254	21,481
Changes of assumptions or other inputs	2,307,668	2,104,564	334,602	(530,312)	(896,404)
Benefit payments	(895,357)	(841,032)	(878,971)	(882,648)	(766,132)
Ending balance of the total pension liability	<u>\$ 21,680,458</u>	<u>\$ 18,818,304</u>	<u>\$ 16,252,566</u>	<u>\$ 16,973,586</u>	<u>\$ 16,938,421</u>
Covered-employee payroll	\$ 13,923,727	\$ 13,711,420	\$ 13,711,420	\$ 12,728,673	\$ 12,728,673
Total OPEB liability as a percentage of covered-employee payroll	155.71%	137.25%	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:

<b>Fiscal Year</b>	<b>Rate</b>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

There are no assets accumulated in trust that meet the criteria for GASB Codification P22.101 or P52.101 to pay related benefits for the pension/OPEB fund.

**CITY OF SHELBY, NORTH CAROLINA**

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

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Shelby's proportion of the net pension liability (asset) (%)	0.22017%	0.23206%	0.22646%	0.22259%	0.22505%
Shelby's proportion of the net pension liability (asset) (\$)	\$ 3,376,518	\$ 8,292,492	\$ 6,184,447	\$ 5,280,596	\$ 3,438,141
Shelby's covered payroll	15,155,678	15,390,331	14,754,447	13,525,005	13,368,109
Shelby's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.28%	53.88%	41.92%	39.04%	25.72%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

\*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 PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS\***

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Shelby's proportion of the net pension liability (asset) (%)	0.21857%	0.21316%	0.21615%	0.25200%
Shelby's proportion of the net pension liability (asset) (\$)	\$ 4,638,788	\$ 956,648	\$ (1,274,737)	\$ 2,714,525
Shelby's covered payroll	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	37.23%	8.04%	( 10.82%)	24.14%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**CITY OF SHELBY, NORTH CAROLINA**

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

<b>Local Governmental Employees' Retirement System</b>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,908,147	\$ 1,570,798	\$ 1,412,825	\$ 1,179,602	\$ 1,046,976
Contributions in relation to the contractually required contribution	<u>1,908,147</u>	<u>1,570,798</u>	<u>1,412,825</u>	<u>1,179,602</u>	<u>1,046,976</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Shelby's covered payroll	\$ 16,517,568	\$ 15,155,678	\$ 15,390,331	\$ 14,754,447	\$ 13,525,005
Contributions as a percentage of covered payroll	11.55%	10.36%	9.18%	7.99%	7.74%

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 NINE FISCAL YEARS**

<b>Local Governmental Employees' Retirement System</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 1,004,436	\$ 855,814	\$ 851,812	\$ 838,951
Contributions in relation to the contractually required contribution	<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>
Shelby's covered payroll	\$ 13,368,109	\$ 12,458,381	\$ 11,891,524	\$ 11,775,999
Contributions as a percentage of covered payroll	7.51%	6.87%	7.16%	7.12%

## CITY OF SHELBY, NORTH CAROLINA

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

<b>Law Enforcement Officers' Special Separation Allowance</b>						
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 3,994,593	\$ 2,767,698	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534	\$ 2,215,455
Service cost	183,762	111,544	99,044	99,145	92,375	95,912
Interest on the total pension liability	75,340	87,704	88,720	78,603	86,757	78,062
Differences between expected and actual experience	96,352	231,007	130,856	(25,457)	(8,199)	-
Changes of assumptions or other inputs	(98,912)	951,413	77,106	(90,653)	145,177	(54,219)
Benefit payments	(181,946)	(154,773)	(130,807)	(92,591)	(59,912)	(57,676)
Ending balance of the total pension liability	<u>\$ 4,069,189</u>	<u>\$ 3,994,593</u>	<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.

Changes in Assumptions

Based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019, the following assumptions were updated for the December 31, 2020 measurement date: mortality rates, salary increases rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

Changes of assumptions and other inputs also reflect the effects of changes in the discount rate of each period.

The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.25%
2021	1.93%
2020	3.26%
2019	3.64%
2018	3.16%
2017	3.86%

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-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SIX FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 4,069,189	\$ 3,994,593	\$ 2,767,698	\$ 2,502,779	\$ 2,533,732	\$ 2,277,534
Covered-employee payroll	3,995,369	3,850,369	3,688,116	3,459,140	3,568,670	3,526,429
Total pension liability as a percentage of covered-employee payroll*	101.85%	103.75%	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.

\* Valuation payroll





## **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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Current year	\$ 13,450,500	\$ 13,703,407	\$ 252,907	\$ 13,035,051
Prior years	130,000	102,956	(27,044)	223,021
Tax discounts	(40,000)	(40,046)	(46)	(37,176)
Interest and penalties	30,000	38,546	8,546	54,019
Total	<u>13,570,500</u>	<u>13,804,863</u>	<u>234,363</u>	<u>13,274,915</u>
<b>Other Taxes and Licenses:</b>				
Local option sales tax	5,175,000	6,575,004	1,400,004	5,588,203
Privilege licenses	2,000	-	(2,000)	931
Total	<u>5,177,000</u>	<u>6,575,004</u>	<u>1,398,004</u>	<u>5,589,134</u>
<b>Unrestricted Intergovernmental Revenues:</b>				
Payment in lieu of taxes	9,000	15,548	6,548	15,586
Utility franchise tax	2,000,000	1,913,081	(86,919)	1,945,397
Beer and wine tax	85,000	87,274	2,274	84,238
ABC revenue	150,000	205,075	55,075	183,473
Total	<u>2,244,000</u>	<u>2,220,978</u>	<u>(23,022)</u>	<u>2,228,694</u>
<b>Restricted Intergovernmental Revenues:</b>				
Powell Bill allocation	495,000	693,431	198,431	554,228
Coronavirus relief grant	-	-	-	533,602
Federal and state grants	176,400	274,099	97,699	201,247
ABC law enforcement revenue	15,000	32,905	17,905	17,984
Rental vehicle gross receivable tax	37,000	61,995	24,995	46,958
Total	<u>723,400</u>	<u>1,062,430</u>	<u>339,030</u>	<u>1,354,019</u>
<b>Permits and Fees:</b>				
Building permits/inspection fees	125,000	284,669	159,669	222,415
Other permits	98,300	147,025	48,725	165,269
Filing fees	-	640	640	200
Total	<u>223,300</u>	<u>432,334</u>	<u>209,034</u>	<u>387,884</u>
<b>Sales and Services:</b>				
Court costs and fees	5,000	5,819	819	5,371
Golf cart rentals	75,100	70,702	(4,398)	67,272
Recreation revenue	313,800	356,903	43,103	229,618
Garbage disposal fees	1,284,000	1,317,540	33,540	1,291,206
Utility late fees	135,000	190,770	55,770	186,643
Airport fuel sales	330,000	326,963	(3,037)	214,490
Other rent	124,000	184,836	60,836	171,550
Total	<u>2,266,900</u>	<u>2,453,533</u>	<u>186,633</u>	<u>2,166,150</u>

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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Investment Earnings</b>	60,000	37,463	(22,537)	15,794
<b>Miscellaneous:</b>				
Student resource officer	283,500	293,088	9,588	301,118
Public nuisance	20,000	16,782	(3,218)	24,721
Donations	-	4,000	4,000	-
Other	79,000	112,453	33,453	23,799
Total	382,500	426,323	43,823	349,638
Total revenues	24,647,600	27,012,928	2,365,328	25,366,228
<b>Expenditures:</b>				
<b>General Government:</b>				
Mayor and council	85,921	80,561	5,360	68,063
Administration and general	719,261	692,016	27,245	625,688
Finance	656,717	594,549	62,168	574,457
Purchasing	83,392	83,027	365	66,625
Legal	-	-	-	12,200
Human resources	245,417	211,045	34,372	182,734
City hall	114,855	114,955	(100)	117,291
Building and zoning	353,090	248,772	104,318	249,090
Community development	591,376	472,691	118,685	508,283
Special appropriations	2,831,393	1,171,865	1,659,528	989,419
Total	5,681,422	3,669,481	2,011,941	3,393,850
<b>Public Safety:</b>				
Police department	8,391,776	8,254,750	137,026	7,702,990
Fire department	5,714,727	4,870,462	844,265	4,364,137
Total	14,106,503	13,125,212	981,291	12,067,127
<b>Transportation:</b>				
Streets and highways	1,308,076	1,213,901	94,175	1,385,466
Street maintenance and repairs - Powell Bill	115,675	104,218	11,457	100,184
Street construction and improvement - Powell Bill	742,145	491,042	251,103	386,694
Garage	534,715	520,719	13,996	479,708
Airport	585,935	529,695	56,240	401,962
Total	3,286,546	2,859,575	426,971	2,754,014
<b>Environmental Protection:</b>				
Sanitation	2,221,395	1,883,238	338,157	1,947,110



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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2021**

	2022		Variance Over/Under	2021
	Budget	Actual		Actual
<b>Cultural and Recreational:</b>				
Parks and recreation	3,323,211	2,925,709	397,502	2,725,823
<b>Debt Service:</b>				
Principal retirement	6,408,590	6,394,544	14,046	2,194,331
Interest	290,940	290,362	578	402,666
Total	6,699,530	6,684,906	14,624	2,596,997
Total expenditures	35,318,607	31,148,121	4,170,486	25,484,921
Revenues over (under) expenditures	(10,671,007)	(4,135,193)	6,535,814	(118,693)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,300,000	3,300,000	-	3,300,000
Transfers (to) other funds	(1,615,941)	(1,615,941)	-	(1,090,573)
Long-term debt issued	1,495,800	1,495,800	-	622,143
Lease liabilities issued	-	87,050	87,050	-
Proceeds from the sale of capital assets	6,463,850	5,686,464	(777,386)	28,304
Appropriated fund balance	1,027,298	-	(1,027,298)	-
Total other financing sources (uses)	10,671,007	8,953,373	(1,717,634)	2,859,874
Net change in fund balance	\$ -	4,818,180	\$ 4,818,180	2,741,181
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Initial implementation of lease standard:				
Lease liabilities issued		183,973		-
Capital outlay		(183,973)		-
<b>Fund Balance:</b>				
Beginning of year - July 1		12,202,765		9,461,584
End of year - June 30		\$ 17,020,945		\$ 12,202,765





## MAJOR GOVERNMENTAL FUND

### *Special Revenue Funds*

**American Rescue Plan Fund** – This fund is used to account for City's share of the Coronavirus State and Local Fiscal Recovery Funds awarded as part of the American Rescue Plan Act (ARPA).



**CITY OF SHELBY, NORTH CAROLINA**

**AMERICAN RESCUE PLAN - MAJOR SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Revenues:</b>				
Restricted intergovernmental	\$ 295,000	\$ -	\$ -	\$ -
Investment income	<u>-</u>	<u>-</u>	<u>5,239</u>	<u>5,239</u>
Total revenues	<u>295,000</u>	<u>-</u>	<u>5,239</u>	<u>5,239</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to other funds	<u>(295,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,239</u>	<u>\$ 5,239</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.
- **Affordable Housing Fund** – This fund was established with a transfer from the Housing Assistance Fund of funds to be used for investing in affordable housing.

### *Capital Project Funds*

- **Economic Development Project Fund** – This fund is used to account for City capital projects that support economic development efforts in the area.
- **Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major governmental capital projects that benefit various functions of government within the City.
- **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, 2022

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Nonmajor Permanent Funds	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,755,617	\$ 1,605,325	\$ -	\$ 6,360,942
Receivables, net:				
Taxes	1,146	-	-	1,146
Accounts	5,613	-	11,283	16,896
Loans	404	-	-	404
Due from other governments	31,734	702,968	-	734,702
Prepays	28,695	-	-	28,695
Cash and cash equivalents - restricted	<u>-</u>	<u>8,250,000</u>	<u>1,601,187</u>	<u>9,851,187</u>
Total assets	<u>\$ 4,823,209</u>	<u>\$ 10,558,293</u>	<u>\$ 1,612,470</u>	<u>\$ 16,993,972</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 16,680	\$ 971,538	\$ -	\$ 988,218
Due to other funds	833,689	1,588,730	-	2,422,419
Advances from grantors	-	2,250,000	-	2,250,000
Total liabilities	<u>850,369</u>	<u>4,810,268</u>	<u>-</u>	<u>5,660,637</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	<u>1,146</u>	<u>-</u>	<u>-</u>	<u>1,146</u>
<b>Fund Balances:</b>				
Non-spendable:				
Perpetual	-	-	1,601,187	1,601,187
Prepays	28,695	-	-	28,695
Restricted:				
Stabilization by state statute	37,751	702,968	11,283	752,002
Transportation	-	6,000,000	-	6,000,000
Public safety	142,844	-	-	142,844
Committed:				
Economic development	-	688,179	-	688,179
Assigned:				
Economic development	3,762,404	-	-	3,762,404
Unassigned	<u>-</u>	<u>(1,643,122)</u>	<u>-</u>	<u>(1,643,122)</u>
Total fund balances	<u>3,971,694</u>	<u>5,748,025</u>	<u>1,612,470</u>	<u>11,332,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,823,209</u>	<u>\$ 10,558,293</u>	<u>\$ 1,612,470</u>	<u>\$ 16,993,972</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, 2022**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Project Funds</b>	<b>Nonmajor Permanent Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 118,702	\$ -	\$ -	\$ 118,702
Restricted intergovernmental	668,164	1,749,576	-	2,417,740
Investment earnings (loss)	4,750	6,022	2,433	13,205
Donations	-	-	103,700	103,700
Total revenues	<u>791,616</u>	<u>1,755,598</u>	<u>106,133</u>	<u>2,653,347</u>
<b>Expenditures:</b>				
Public safety	97,207	-	-	97,207
Transportation	-	1,495,733	-	1,495,733
Cultural and recreational	-	91,271	-	91,271
Housing and redevelopment	1,089,089	2,399,831	-	3,488,920
Total expenditures	<u>1,186,296</u>	<u>3,986,835</u>	<u>-</u>	<u>5,173,131</u>
Revenues over (under) expenditures	<u>(394,680)</u>	<u>(2,231,237)</u>	<u>106,133</u>	<u>(2,519,784)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	1,528,572	1,316,305	-	2,844,877
Transfers (to) other funds	(1,056,000)	-	-	(1,056,000)
Proceeds from sale of assets	1,059,238	-	-	1,059,238
Long-term debt issued	-	6,000,000	-	6,000,000
Total other financing sources (uses)	<u>1,531,810</u>	<u>7,316,305</u>	<u>-</u>	<u>8,848,115</u>
Net change in fund balances	1,137,130	5,085,068	106,133	6,328,331
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,834,564</u>	<u>662,957</u>	<u>1,506,337</u>	<u>5,003,858</u>
End of year - June 30	<u>\$ 3,971,694</u>	<u>\$ 5,748,025</u>	<u>\$ 1,612,470</u>	<u>\$ 11,332,189</u>

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	<u>Emergency Telephone System Fund</u>	<u>Economic Development Commission Fund</u>	<u>Affordable Housing Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 142,949	\$ 3,778,979	\$ 833,689	\$ 4,755,617
Receivables, net:				
Taxes	-	1,146	-	1,146
Accounts	5,613	-	-	5,613
Loans	-	404	-	404
Prepaid items	28,695	-	-	28,695
Due from other governments	-	31,734	-	31,734
Total assets	<u>\$ 177,257</u>	<u>\$ 3,812,263</u>	<u>\$ 833,689</u>	<u>\$ 4,823,209</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 105	\$ 16,575	\$ -	\$ 16,680
Due to other funds	-	-	833,689	833,689
Total liabilities	<u>105</u>	<u>16,575</u>	<u>833,689</u>	<u>850,369</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	-	1,146	-	1,146
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	28,695	-	-	28,695
Restricted:				
Stabilization by state statute	5,613	32,138	-	37,751
Public safety	142,844	-	-	142,844
Assigned:				
Economic development	-	3,762,404	-	3,762,404
Total fund balances	<u>177,152</u>	<u>3,794,542</u>	<u>-</u>	<u>3,971,694</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 177,257</u>	<u>\$ 3,812,263</u>	<u>\$ 833,689</u>	<u>\$ 4,823,209</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, 2022**

	<u>Emergency Telephone System Fund</u>	<u>Economic Development Commission Fund</u>	<u>Affordable Housing Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ 118,702	\$ -	\$ 118,702
Restricted intergovernmental	67,361	600,803	-	668,164
Investment earnings (loss)	-	4,750	-	4,750
Total revenues	<u>67,361</u>	<u>724,255</u>	<u>-</u>	<u>791,616</u>
<b>Expenditures:</b>				
Public safety	97,207	-	-	97,207
Housing and redevelopment	-	1,089,089	-	1,089,089
Total expenditures	<u>97,207</u>	<u>1,089,089</u>	<u>-</u>	<u>1,186,296</u>
Revenues over (under) expenditures	<u>(29,846)</u>	<u>(364,834)</u>	<u>-</u>	<u>(394,680)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from sale of assets	-	1,059,238	-	1,059,238
Transfers from other funds	-	1,528,572	-	1,528,572
Transfers (to) other funds	-	(1,056,000)	-	(1,056,000)
Total other financing sources (uses)	<u>-</u>	<u>1,531,810</u>	<u>-</u>	<u>1,531,810</u>
Net change in fund balances	(29,846)	1,166,976	-	1,137,130
<b>Fund Balances:</b>				
Beginning of year - July 1	206,998	2,627,566	-	2,834,564
End of year - June 30	<u>\$ 177,152</u>	<u>\$ 3,794,542</u>	<u>\$ -</u>	<u>\$ 3,971,694</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, 2022

	<u>2022</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Restricted intergovernmental	\$ 107,000	\$ 67,361	\$ (39,639)
<b>Expenditures:</b>			
Public safety:			
Software	20,000	20,000	-
Furniture	500	-	500
Travel and training	3,000	1,666	1,334
Hardware	7,000	5,288	1,712
Phone system	76,500	70,253	6,247
Total expenditures	<u>107,000</u>	<u>97,207</u>	<u>9,793</u>
Net change in fund balance	<u>\$ -</u>	<u>(29,846)</u>	<u>\$ (29,846)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>206,998</u>	
End of year - June 30		<u>\$ 177,152</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, 2022

	<b>2022</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 124,500	\$ 118,702	\$ (5,798)
Restricted intergovernmental	462,375	600,803	138,428
Investment earnings (loss)	2,500	4,750	2,250
Miscellaneous income	2,000	4,732	2,732
Total revenues	<u>591,375</u>	<u>728,987</u>	<u>137,612</u>
<b>Expenditures:</b>			
Housing and redevelopment	<u>1,175,322</u>	<u>1,089,089</u>	<u>86,233</u>
Revenues over (under) expenditures	<u>(583,947)</u>	<u>(360,102)</u>	<u>223,845</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from sale of assets	-	1,059,238	1,059,238
Transfers from other funds	1,528,572	1,528,572	-
Transfers (to) other funds	(1,056,000)	(1,056,000)	-
Appropriated fund balance	<u>111,375</u>	<u>-</u>	<u>(111,375)</u>
Total other financing sources (uses)	<u>583,947</u>	<u>1,531,810</u>	<u>947,863</u>
Net change in fund balance	<u>\$ -</u>	<u>1,171,708</u>	<u>\$ 1,171,708</u>
<b>Reconciliation of Budgetary Basis with Modified Accrual Basis:</b>			
Payment received on notes receivable		<u>(4,732)</u>	
Net change in fund balance, modified accrual basis		1,166,976	
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,627,566</u>	
End of year - June 30		<u>\$ 3,794,542</u>	

## CITY OF SHELBY, NORTH CAROLINA

NONMAJOR CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	<b>Economic Development Project Fund</b>	<b>Capital Projects Fund</b>	<b>Economic Development Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,405,850	\$ -	\$ 199,475	\$ 1,605,325
Due from other governments	-	702,968	-	702,968
Restricted cash and cash equivalents	<u>2,000,000</u>	<u>6,250,000</u>	<u>-</u>	<u>8,250,000</u>
Total assets	<u>\$ 3,405,850</u>	<u>\$ 6,952,968</u>	<u>\$ 199,475</u>	<u>\$ 10,558,293</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 917,146	\$ 54,392	\$ -	\$ 971,538
Due to other funds	-	1,588,730	-	1,588,730
Advances from grantors	<u>2,000,000</u>	<u>250,000</u>	<u>-</u>	<u>2,250,000</u>
Total liabilities	<u>2,917,146</u>	<u>1,893,122</u>	<u>-</u>	<u>4,810,268</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	-	702,968	-	702,968
Transportation - unspent debt proceeds	-	6,000,000	-	6,000,000
Committed:				
Economic development	488,704	-	199,475	688,179
Unassigned	<u>-</u>	<u>(1,643,122)</u>	<u>-</u>	<u>(1,643,122)</u>
Total fund balances	<u>488,704</u>	<u>5,059,846</u>	<u>199,475</u>	<u>5,748,025</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,405,850</u>	<u>\$ 6,952,968</u>	<u>\$ 199,475</u>	<u>\$ 10,558,293</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, 2022**

	<b>Economic Development Project Fund</b>	<b>Capital Projects Fund</b>	<b>Economic Development Reserve Fund</b>	<b>Total Nonmajor Capital Project Funds</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 815,179	\$ 934,397	\$ -	\$ 1,749,576
Investment earnings (loss)	70	5,952	-	6,022
Total revenues	<u>815,249</u>	<u>940,349</u>	<u>-</u>	<u>1,755,598</u>
<b>Expenditures:</b>				
Transportation	-	1,495,733	-	1,495,733
Cultural and recreation	-	91,271	-	91,271
Housing and redevelopment	1,864,936	534,895	-	2,399,831
Total expenditures	<u>1,864,936</u>	<u>2,121,899</u>	<u>-</u>	<u>3,986,835</u>
Revenues over (under) expenditures	<u>(1,049,687)</u>	<u>(1,181,550)</u>	<u>-</u>	<u>(2,231,237)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	795,850	520,455	-	1,316,305
Long-term debt issued	-	6,000,000	-	6,000,000
Total other financing sources (uses)	<u>795,850</u>	<u>6,520,455</u>	<u>-</u>	<u>7,316,305</u>
Net change in fund balances	(253,837)	5,338,905	-	5,085,068
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>742,541</u>	<u>(279,059)</u>	<u>199,475</u>	<u>662,957</u>
End of year - June 30	<u>\$ 488,704</u>	<u>\$ 5,059,846</u>	<u>\$ 199,475</u>	<u>\$ 5,748,025</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, 2022

	Project Authorization	Actual		
		Prior Years	Current Year	Total
<b>Revenues:</b>				
County, local grants	\$ 9,215,210	\$ 2,958,986	\$ 414,018	\$ 3,373,004
Restricted intergovernmental	6,273,000	313,330	401,161	714,491
Investment earnings (loss)	-	2,629	70	2,699
Total revenues	<u>15,488,210</u>	<u>3,274,945</u>	<u>815,249</u>	<u>4,090,194</u>
<b>Expenditures:</b>				
Project #WSBPR - Washburn Switch				
Business Park Roadway	438,210	203,758	-	203,758
Project #SHL3 - Job ready shell building #3	6,024,100	5,776,387	39,951	5,816,338
Project #SHL4 - Job ready shell building #4	8,939,000	-	1,602,753	1,602,753
Project #RLTRL - NS Rail Trail Corridor	9,009,350	5,807,436	222,232	6,029,668
Total expenditures	<u>24,410,660</u>	<u>11,787,581</u>	<u>1,864,936</u>	<u>13,652,517</u>
Revenues over (under) expenditures	<u>(8,922,450)</u>	<u>(8,512,636)</u>	<u>(1,049,687)</u>	<u>(9,562,323)</u>
<b>Other Financing Sources (Uses):</b>				
Long-term debt issued	7,364,100	8,475,000	-	8,475,000
Transfers from other funds	1,558,350	780,177	795,850	1,576,027
Total other financing sources (uses)	<u>8,922,450</u>	<u>9,255,177</u>	<u>795,850</u>	<u>10,051,027</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ 742,541</u>	<u>\$ (253,837)</u>	<u>\$ 488,704</u>

## CITY OF SHELBY, NORTH CAROLINA

**CAPITAL PROJECTS FUND - NONMAJOR CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2022**

	Project Authorization	Actual		
		Prior Years	Current Year	Total
<b>Revenues:</b>				
Proj #THDTR - Carolina Thread Trail	\$ 333,200	\$ 318,148	\$ 75,500	\$ 393,648
Proj #APLEA - Airport Land Easement Acquisition	1,138,500	1,065,771	-	1,065,771
Proj #APTHP - Airport T Hanger	3,757,386	4,217,911	84,799	4,302,710
Proj #USPIP - Uptown Streetscape/Ped Improvements	668,538	-	-	-
Proj #ALP20 - Airport Layout Plan Update 2020	237,500	210,603	25,680	236,283
Proj #APTH4 - Airport T Hangar #4	1,424,945	4,456	607,399	611,855
Proj #CDBG - Community Dev Block Grant-Corona Virus	900,000	-	141,019	141,019
Investment earnings (loss)	-	(717)	5,952	5,235
Total revenues	<u>8,460,069</u>	<u>5,816,172</u>	<u>940,349</u>	<u>6,756,521</u>
<b>Expenditures:</b>				
Proj #THDTR - Carolina Thread Trail	845,450	518,963	251,950	770,913
Proj #APLEA - Airport land easement acquisition	1,138,500	1,125,648	-	1,125,648
Proj #APTHP - Airport T hanger	4,340,998	4,340,831	-	4,340,831
Proj #USPIP - Uptown streetscape/ped improvements	4,890,975	4,793,952	38,445	4,832,397
Proj #EGP15 - East gateway enhancement project	436,500	412,743	-	412,743
Proj #ALP20 - Airport layout plan update 2020	250,000	221,687	27,027	248,714
Proj #APTH4 - Airport T hangar #4	1,493,100	4,456	1,363,645	1,368,101
Proj #CDBG - Community dev block grant-coronavirus	945,000	6,000	244,500	250,500
Proj #CPPRP - City park pool renovation	107,300	-	91,271	91,271
Proj #TAMPU - Transportation asset management plan update	76,400	53,421	22,979	76,400
Proj #TAMPR - Tamp resurfacing phase I	6,080,000	-	82,082	82,082
Proj #SWSIP - South Washington streetscape improvement	250,000	-	-	-
Proj #CHROF - City Hall roof replacement 2022	640,000	-	-	-
Total expenditures	<u>21,494,223</u>	<u>11,477,701</u>	<u>2,121,899</u>	<u>13,599,600</u>
Revenues over (under) expenditures	<u>(13,034,154)</u>	<u>(5,661,529)</u>	<u>(1,181,550)</u>	<u>(6,843,079)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	7,034,154	5,382,470	520,455	5,902,925
Long-term debt issued	6,000,000	-	6,000,000	6,000,000
Total other financing sources (uses)	<u>13,034,154</u>	<u>5,382,470</u>	<u>6,520,455</u>	<u>11,902,925</u>
Net change in fund balance (deficit)	<u>\$ -</u>	<u>\$ (279,059)</u>	<u>\$ 5,338,905</u>	<u>\$ 5,059,846</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, 2022**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Other Financing Sources (Uses):</b>				
Transfers (to) other funds	\$ (1,500,000)	\$ (1,500,000)	\$ -	\$ (1,500,000)
Proceeds from sale of assets	<u>1,500,000</u>	<u>1,699,475</u>	-	<u>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, 2022

	<u>Raper Roark Trust Fund</u>	<u>Cemetery Fund</u>	<u>Total Permanent Funds</u>
<b>Assets:</b>			
Accounts receivable, net	\$ 11,283	\$ -	\$ 11,283
Cash and cash equivalents - restricted	<u>708,035</u>	<u>893,152</u>	<u>1,601,187</u>
Total assets	<u>\$ 719,318</u>	<u>\$ 893,152</u>	<u>\$ 1,612,470</u>
<b>Fund Balances:</b>			
Non-spendable:			
Perpetual	\$ 708,035	\$ 893,152	\$ 1,601,187
Restricted for stabilization by state statute	<u>11,283</u>	<u>-</u>	<u>11,283</u>
Total fund balances	<u>\$ 719,318</u>	<u>\$ 893,152</u>	<u>\$ 1,612,470</u>

## CITY OF SHELBY, NORTH CAROLINA

**NONMAJOR PERMANENT FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Raper Roark Trust Fund</b>	<b>Cemetery Fund</b>	<b>Total Permanent Funds</b>
<b>Revenues:</b>			
Investment earnings	\$ 1,118	\$ 1,315	\$ 2,433
Donations	12,820	90,880	103,700
Total revenues	<u>13,938</u>	<u>92,195</u>	<u>106,133</u>
Net change in fund balances	13,938	92,195	106,133
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>705,380</u>	<u>800,957</u>	<u>1,506,337</u>
End of year - June 30	<u>\$ 719,318</u>	<u>\$ 893,152</u>	<u>\$ 1,612,470</u>





## PROPRIETARY FUNDS ENTERPRISE FUNDS

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

### *Major Enterprise Funds*

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

### *Nonmajor Enterprise Fund*

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





CITY OF SHELBY, NORTH CAROLINA

ENTERPRISE FUND - WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for sales and services:			
Water charges	\$ 5,619,640	\$ 5,748,941	\$ 129,301
Water taps	40,000	308,935	268,935
Water cutoffs	4,000	5,100	1,100
Other	53,000	108,939	55,939
Total operating revenues	<u>5,716,640</u>	<u>6,171,915</u>	<u>455,275</u>
Non-operating revenues:			
Grant - refund of interest expense	38,000	18,345	(19,655)
Investment earnings	500	334	(166)
Total non-operating revenues	<u>38,500</u>	<u>18,679</u>	<u>(19,821)</u>
Total revenues	<u>5,755,140</u>	<u>6,190,594</u>	<u>435,454</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	782,788	767,383	15,405
Operations	637,175	641,742	(4,567)
Maintenance and repairs	174,840	170,788	4,052
Treatment plant	1,833,560	1,659,144	174,416
Capital outlay	185,044	143,665	41,379
Total costs of sales and services	<u>3,613,407</u>	<u>3,382,722</u>	<u>230,685</u>
Debt service:			
Principal retirement	2,548,731	2,512,208	36,523
Interest	595,400	595,400	-
Total debt service	<u>3,144,131</u>	<u>3,107,608</u>	<u>36,523</u>
Total operating expenditures	<u>6,757,538</u>	<u>6,490,330</u>	<u>267,208</u>
Revenue over (under) expenditures	<u>(1,002,398)</u>	<u>(299,736)</u>	<u>702,662</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	399,000	399,000	-
Transfers (to) other funds	(5,000)	(5,000)	-
Long-term debt issued	70,000	70,000	-
Refunding bonds issued	5,191,351	5,191,351	-
Payment to refunding bond escrow agent	(5,151,920)	(5,151,920)	-
Appropriated fund balance	498,967	-	(498,967)
Total other financing sources (uses)	<u>1,002,398</u>	<u>503,431</u>	<u>(498,967)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>203,695</u>	<u>\$ 203,695</u>

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

Reconciling items:

Debt principal	2,512,208
Long-term debt issued	(70,000)
Refunding bonds issued	(5,191,351)
Payment to refunding bond escrow agent	5,151,920
Capital outlay	143,665
(Increase) decrease in accrued interest	29,080
(Increase) decrease in compensated absences	(1,750)
(Increase) decrease in other post-employment benefits	(143,107)
Increase (decrease) in deferred outflows of resources - OPEB	88,360
(Increase) decrease in deferred inflows of resources - OPEB	18,320
(Increase) decrease in net pension liability	245,799
Increase (decrease) in deferred outflows of resources - pension	34,271
(Increase) decrease in deferred inflows of resources - pension	(253,769)
Payment on notes receivable	(30,293)
Depreciation	(1,137,018)
Amortization	(17,324)
Water Capital Projects Fund revenues	<u>1,835</u>
Total reconciling items	<u>1,380,846</u>
Change in net position	<u>\$ 1,584,541</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, 2022

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
<b>Capital Grants:</b>				
Project #834 - Farmville Road Water Project	\$ 8,250,000	\$ 8,405,001	\$ -	\$ 8,405,001
Project #841 - Crosstown waterline/Forest Hill Dr.	550,300	-	-	-
Investment earnings (loss)	-	(838)	1,835	997
Total revenues	<u>8,800,300</u>	<u>8,404,163</u>	<u>1,835</u>	<u>8,405,998</u>
<b>Expenditures:</b>				
Project #834 - Farmville Road Water Project	12,480,000	11,905,355	-	11,905,355
Project #836 - Water Treatment Plant Upgrade	17,282,407	16,983,554	2,934	16,986,488
Project #837 - Metcalf & Fallston Relocate	176,176	-	-	-
Project #839 - Marion Hwy 150	258,456	-	-	-
Project #840 - Joe's Lake Road	47,553	-	-	-
Project #841 - Crosstown waterline/Forest Hill Dr.	550,300	-	36,600	36,600
Total expenditures	<u>30,794,892</u>	<u>28,888,909</u>	<u>39,534</u>	<u>28,928,443</u>
Revenues over (under) expenditures	<u>(21,994,592)</u>	<u>(20,484,746)</u>	<u>(37,699)</u>	<u>(20,522,445)</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	1,386,742	2,381,998	-	2,381,998
Long-term debt issued	<u>20,607,850</u>	<u>20,529,774</u>	<u>78,076</u>	<u>20,607,850</u>
Total other financing sources (uses)	<u>21,994,592</u>	<u>22,911,772</u>	<u>78,076</u>	<u>22,989,848</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,427,026</u>	<u>\$ 40,377</u>	<u>\$ 2,467,403</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 5,986,072	\$ 6,472,042	\$ 485,970
Other fees	39,729	176,880	137,151
Other operating revenues	52,000	203,595	151,595
Total operating revenue	<u>6,077,801</u>	<u>6,852,517</u>	<u>774,716</u>
Non-operating revenues:			
Grant - refund of interest expense	16,000	7,499	(8,501)
Investment earnings	500	76	(424)
Total non-operating revenues	<u>16,500</u>	<u>7,575</u>	<u>(8,925)</u>
Total revenues	<u>6,094,301</u>	<u>6,860,092</u>	<u>765,791</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	703,019	672,126	30,893
Line operation	758,086	698,811	59,275
Maintenance and repairs	330,584	325,924	4,660
Treatment plant	1,864,566	1,601,596	262,970
Capital outlay	583,216	353,132	230,084
Total costs of sales and services	<u>4,239,471</u>	<u>3,651,589</u>	<u>587,882</u>
Debt service:			
Principal retirement	2,660,180	2,664,054	(3,874)
Interest	303,986	303,986	-
Total debt service	<u>2,964,166</u>	<u>2,968,040</u>	<u>(3,874)</u>
Total operating expenditures	<u>7,203,637</u>	<u>6,619,629</u>	<u>584,008</u>
Revenues over (under) expenditures	<u>(1,109,336)</u>	<u>240,463</u>	<u>1,349,799</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Other Financing Sources (Uses):</b>			
Intrafund transfers	(212,006)	(212,006)	-
Transfers from other funds	544,000	544,000	-
Transfers (to) other funds	(5,000)	(5,000)	-
Long-term debt issued	243,200	243,200	-
Refunding bonds debt issued	2,515,202	2,515,202	-
Payment to refunding bond escrow agent	(2,496,454)	(2,496,454)	-
Appropriated fund balance	520,394	-	(520,394)
Total other financing sources (uses)	<u>1,109,336</u>	<u>588,942</u>	<u>(520,394)</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>829,405</u>	<u>\$ 829,405</u>

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

Long-term debt issued	(243,200)
Refunding bonds debt issued	(2,515,202)
Payment to refunding bond escrow agent	2,496,454
Debt principal	2,664,054
Capital outlay	353,132
(Increase) decrease in accrued interest	13,419
(Increase) decrease in compensated absences	(11,861)
(Increase) decrease in other post-employment benefits	(171,730)
Increase (decrease) in deferred outflows of resources - OPEB	106,033
(Increase) decrease in deferred inflows of resources - OPEB	21,982
(Increase) decrease in net pension liability	294,958
Increase (decrease) in deferred outflows of resources - pension	41,126
(Increase) decrease in deferred inflows of resources - pension	(304,523)
Depreciation	(1,652,760)
Amortization	(5,487)
Sewer Capital Projects Fund revenues	2,159
Sewer Capital Projects Fund intrafund transfer	<u>212,006</u>
Total reconciling items	<u>1,300,560</u>
Change in net position	<u>\$ 2,129,965</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, 2022

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Project #868 - Brushy Creek sewer outfall	\$ 250,000	\$ 250,000	\$ -	\$ 250,000
Project #871 - Westside sewer improvements	5,500,000	5,500,000	-	5,500,000
Project #878 - Randolph Road industrial park ext.	1,484,036	-	-	-
Project #879 - Hickory Creek sewer outfall	283,285	-	-	-
Investment earnings (loss)	-	(854)	2,159	1,305
Total revenues	<u>7,517,321</u>	<u>5,749,146</u>	<u>2,159</u>	<u>5,751,305</u>
<b>Expenditures:</b>				
Project #868 - Brushy Creek sewer outfall	500,000	421,324	-	421,324
Project #869 - Compost facility improvements	20,234,148	19,680,103	56,779	19,736,882
Project #871 - Westside sewer improvements	8,700,000	7,140,633	-	7,140,633
Project #873 - Fallston Road sewer relocation	358,556	-	-	-
Project #876 - Marion/Hwy 150	13,010	-	-	-
Project #877 - Joe's Lake Road	42,500	-	-	-
Project #878 - Randolph Road industrial park ext.	1,696,042	-	145,380	145,380
Project #879 - Hickory Creek sewer outfall	<u>283,285</u>	<u>-</u>	<u>81,890</u>	<u>81,890</u>
Total expenditures	<u>31,827,541</u>	<u>27,242,060</u>	<u>284,049</u>	<u>27,526,109</u>
Revenues over (under) expenditures	<u>(24,310,220)</u>	<u>(21,492,914)</u>	<u>(281,890)</u>	<u>(21,774,804)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	305,510	305,510	-	305,510
Intrafund transfers to (from) other funds	967,310	570,282	212,006	782,288
Long-term debt issued	<u>23,037,400</u>	<u>22,345,415</u>	<u>195,522</u>	<u>22,540,937</u>
Total other financing sources (uses)	<u>24,310,220</u>	<u>23,221,207</u>	<u>407,528</u>	<u>23,628,735</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,728,293</u>	<u>\$ 125,638</u>	<u>\$ 1,853,931</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 21,520,000	\$ 22,205,245	\$ 685,245
Other operating revenues	159,955	611,846	451,891
Total operating revenues	<u>21,679,955</u>	<u>22,817,091</u>	<u>1,137,136</u>
<b>Non-Operating Revenues:</b>			
Investment earnings	<u>4,500</u>	<u>2,835</u>	<u>(1,665)</u>
Total revenues	<u>21,684,455</u>	<u>22,819,926</u>	<u>1,135,471</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	1,255,782	1,146,047	109,735
Line operation	18,300,380	17,079,268	1,221,112
Capital outlay	7,197,564	6,377,216	820,348
Total costs of sales and services	<u>26,753,726</u>	<u>24,602,531</u>	<u>2,151,195</u>
Debt service:			
Principal repayment	367,869	350,179	17,690
Interest and fees	51,400	46,227	5,173
Total debt service	<u>419,269</u>	<u>396,406</u>	<u>22,863</u>
Total expenditures	<u>27,172,995</u>	<u>24,998,937</u>	<u>2,174,058</u>
Revenues over (under) expenditures	<u>(5,488,540)</u>	<u>(2,179,011)</u>	<u>3,309,529</u>
<b>Other Financing Sources (Uses):</b>			
Transfers to other funds	(1,305,818)	(1,305,818)	-
Intrafund transfers	(732,000)	(732,000)	-
Long-term debt issued	355,000	355,000	-
Refunding bonds issued	1,888,349	1,888,349	-
Payment to refunding bond escrow agent	(1,874,080)	(1,874,080)	-
Appropriated fund balance	7,157,089	-	(7,157,089)
Total other financing sources (uses)	<u>5,488,540</u>	<u>(1,668,549)</u>	<u>(7,157,089)</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(3,847,560)</u>	<u>\$ (3,847,560)</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Debt principal		350,179	
Long-term debt issued		(355,000)	
Refunding bonds issued		(1,888,349)	
Payment to refunding bond escrow agent		1,874,080	
Capital outlay		6,377,216	
(Increase) decrease in accrued interest		4,941	
(Increase) decrease in compensated absences		(21,703)	
(Increase) decrease in other post-employment benefits		(143,108)	
Increase (decrease) in deferred outflows of resources - OPEB		88,361	
(Increase) decrease in deferred inflows of resources - OPEB		18,320	
(Increase) decrease in net pension liability		245,799	
Increase (decrease) in deferred outflows of resources - pension		34,271	
(Increase) decrease in deferred inflows of resources - pension		(253,769)	
Depreciation		(765,077)	
Amortization		(14,100)	
Electric Capital Projects Fund revenues		1,163	
Electric Capital Projects Fund intrafund transfer		<u>732,000</u>	
Total reconciling items		<u>6,285,224</u>	
Change in net position		<u>\$ 2,437,664</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, 2022

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Project #871 - Joe's Lake Road electric relocation	\$ -	\$ 87,992	\$ -	\$ 87,992
Project #873 - Marion/Peach/Cherryville project	-	47,969	-	47,969
Investment earnings	-	926	1,163	2,089
Total revenues	-	136,887	1,163	138,050
<b>Expenditures:</b>				
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	82,003	-	82,003
Project #873 - Marion/Peach/Cherryville project	75,315	41,191	-	41,191
Project #874 - Electric circuit 104	122,585	76,040	-	76,040
Project #875 - WTP electric line construction	421,200	332,706	-	332,706
Project #876 - Substation 8 additional circuit	414,000	17,971	87,725	105,696
Project #877 - Substation 10 line repair	732,000	-	44,850	44,850
Total expenditures	2,175,394	711,974	132,575	844,549
Revenues over (under) expenditures	(2,175,394)	(575,087)	(131,412)	(706,499)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	2,175,394	1,905,930	732,000	2,637,930
Revenue and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,330,843	\$ 600,588	\$ 1,931,431

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 24,100,000	\$ 26,580,391	\$ 2,480,391
Other fees	30,000	62,175	32,175
Other operating revenues	<u>67,000</u>	<u>135,677</u>	<u>68,677</u>
Total operating revenue	<u>24,197,000</u>	<u>26,778,243</u>	<u>2,581,243</u>
Non-operating revenues:			
Grant - refund of interest expense	3,600	2,128	(1,472)
Investment earnings	<u>5,000</u>	<u>2,816</u>	<u>(2,184)</u>
Total non-operating revenues	<u>8,600</u>	<u>4,944</u>	<u>(3,656)</u>
Total revenues	<u>24,205,600</u>	<u>26,783,187</u>	<u>2,577,587</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	1,547,093	1,343,895	203,198
Line operation	19,605,652	19,599,679	5,973
Capital outlay	<u>537,364</u>	<u>249,181</u>	<u>288,183</u>
Total costs of sales and services	<u>21,690,109</u>	<u>21,192,755</u>	<u>497,354</u>
Debt service:			
Principal repayment	349,485	349,485	-
Interest and fees	<u>66,957</u>	<u>66,957</u>	<u>-</u>
Total debt service	<u>416,442</u>	<u>416,442</u>	<u>-</u>
Total expenditures	<u>22,106,551</u>	<u>21,609,197</u>	<u>497,354</u>
Revenues over (under) expenditures	<u>2,099,049</u>	<u>5,173,990</u>	<u>3,074,941</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from other funds	113,000	113,000	-
Transfers to other funds	(3,213,118)	(3,213,118)	-
Intrafund transfers	(1,322,520)	(1,322,520)	-
Long-term debt issued	120,000	120,000	-
Refunding bonds issued	1,152,098	1,152,098	-
Payment to refunding bond escrow agent	(1,143,888)	(1,143,888)	-
Appropriated fund balance	<u>2,195,379</u>	<u>-</u>	<u>(2,195,379)</u>
Total other financing sources (uses)	<u>(2,099,049)</u>	<u>(4,294,428)</u>	<u>(2,195,379)</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>879,562</u>	<u>\$ 879,562</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Debt principal		349,485	
Long-term debt issued		(120,000)	
Refunded debt issued		(1,152,098)	
Payment to refunding bond escrow agent		1,143,888	
Capital outlay		249,181	
(Increase) decrease in accrued interest		4,944	
(Increase) decrease in compensated absences		13,436	
(Increase) decrease in other post-employment benefits		(143,108)	
Increase (decrease) in deferred outflows of resources - OPEB		88,361	
(Increase) decrease in deferred inflows of resources - OPEB		18,319	
(Increase) decrease in net pension liability		245,799	
Increase (decrease) in deferred outflows of resources - pension		34,271	
(Increase) decrease in deferred inflows of resources - pension		(253,769)	
Depreciation		(762,600)	
Amortization		(4,651)	
Gas Capital Project Fund revenues		(1)	
Gas Capital Project Fund intrafund transfer		<u>1,322,520</u>	
Total reconciling items		<u>1,033,977</u>	
Change in net position		<u>\$ 1,913,539</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, 2022

	Project Authorization	Actual		Total
		Prior Years	Current Year	
<b>Revenues:</b>				
Project #883 - Farmville Road Gas Line Loop	\$ 5,750,000	\$ 500,000	\$ -	\$ 500,000
Investment earnings (loss)	-	(100)	(1)	(101)
Total revenues	<u>5,750,000</u>	<u>499,900</u>	<u>(1)</u>	<u>499,899</u>
<b>Expenditures:</b>				
Project #882 - Highway 74 bypass section "C" gas line relocation	891,564	889,429	-	889,429
Project #883 - Farmville Road Gas Line Loop	5,938,500	2,462,607	-	2,462,607
Project #885 - Highway 74 bypass sections "D" and "E" gas line relocation	175,000	92,944	34,377	127,321
Project #886 - Marion/Peach/Cherryville gas line relocation	483,024	456,393	-	456,393
Project #887 - Ames Copper gas improvements	722,458	37,213	654,713	691,926
Project #888 - Montrose/Windsor Gas Line Replacement	362,520	-	320,432	320,432
Project #889 - NG line replacement	960,000	-	141,584	141,584
Total expenditures	<u>9,533,066</u>	<u>3,938,586</u>	<u>1,151,106</u>	<u>5,089,692</u>
Revenues over (under) expenditures	<u>(3,783,066)</u>	<u>(3,438,686)</u>	<u>(1,151,107)</u>	<u>(4,589,793)</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund transfers	3,783,066	2,680,660	1,322,520	4,003,180
Long-term debt issued	-	1,184,000	-	1,184,000
Total other financing sources (uses)	<u>3,783,066</u>	<u>3,864,660</u>	<u>1,322,520</u>	<u>5,187,180</u>
Revenue and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 425,974</u>	<u>\$ 171,413</u>	<u>\$ 597,387</u>

## CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2022

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 868,293	\$ 1,718,741	\$ 2,587,034
Accounts receivable, net	116,863	340,496	457,359
Due from other funds	-	833,689	833,689
Due from other governments	33	9,313	9,346
Inventories	13,015	-	13,015
Prepaid items	7,973	7,382	15,355
Total current assets	<u>1,006,177</u>	<u>2,909,621</u>	<u>3,915,798</u>
Non-current assets:			
Restricted cash and cash equivalents	-	43,884	43,884
Right to use assets, net	-	4,042	4,042
Capital assets, non-depreciable	-	278,173	278,173
Capital assets, net	91,818	4,885,961	4,977,779
Total non-current assets	<u>91,818</u>	<u>5,212,060</u>	<u>5,303,878</u>
Total assets	<u>1,097,995</u>	<u>8,121,681</u>	<u>9,219,676</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	-	97,313	97,313
Pension deferrals	-	106,179	106,179
Total deferred outflows of resources	<u>-</u>	<u>203,492</u>	<u>203,492</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	32,435	21,635	54,070
Due to other funds	-	2,385	2,385
Compensated absences payable	2,977	7,497	10,474
Current portion of long-term debt	18,287	2,533	20,820
Liabilities payable from restricted assets:			
Customer deposits	-	43,884	43,884
Total current liabilities	<u>53,699</u>	<u>77,934</u>	<u>131,633</u>
Non-current liabilities:			
Compensated absences payable	8,929	22,490	31,419
Net pension liability	-	74,179	74,179
Other post-employment benefits	-	455,952	455,952
Other long-term debt	37,146	1,487	38,633
Total non-current liabilities	<u>46,075</u>	<u>554,108</u>	<u>600,183</u>
Total liabilities	<u>99,774</u>	<u>632,042</u>	<u>731,816</u>
<b>Deferred Inflows of Resources:</b>			
OPEB deferrals	-	32,040	32,040
Pension deferrals	-	102,114	102,114
Total deferred inflows of resources	<u>-</u>	<u>134,154</u>	<u>134,154</u>
<b>Net Position:</b>			
Net investment in capital assets	36,385	5,164,156	5,200,541
Unrestricted	<u>961,836</u>	<u>2,394,821</u>	<u>3,356,657</u>
Total net position	<u>\$ 998,221</u>	<u>\$ 7,558,977</u>	<u>\$ 8,557,198</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, 2022

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 899,396	\$ 706,901	\$ 1,606,297
Other fees	5,527	-	5,527
Other operating revenues	-	873	873
Total operating revenues	<u>904,923</u>	<u>707,774</u>	<u>1,612,697</u>
<b>Operating Expenses:</b>			
Administration	664,238	396,147	1,060,385
Operations and maintenance	-	722,141	722,141
Depreciation and amortization	53,376	245,098	298,474
Total operating expenses	<u>717,614</u>	<u>1,363,386</u>	<u>2,081,000</u>
Operating income (loss)	<u>187,309</u>	<u>(655,612)</u>	<u>(468,303)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Operating grants	-	697,914	697,914
Investment earnings	3	2,003	2,006
Interest expense and fiscal charges	<u>(1,333)</u>	<u>(43)</u>	<u>(1,376)</u>
Total non-operating revenues (expenses)	<u>(1,330)</u>	<u>699,874</u>	<u>698,544</u>
Income (loss) before capital contributions	185,979	44,262	230,241
Capital contributions	<u>-</u>	<u>383,908</u>	<u>383,908</u>
Change in net position	185,979	428,170	614,149
<b>Net Position:</b>			
Beginning year - July 1	<u>812,242</u>	<u>7,130,807</u>	<u>7,943,049</u>
End of year - June 30	<u>\$ 998,221</u>	<u>\$ 7,558,977</u>	<u>\$ 8,557,198</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 898,398	\$ 955,414	\$ 1,853,812
Cash paid for goods and services	(677,716)	(719,544)	(1,397,260)
Cash paid to employees	-	(395,660)	(395,660)
Net cash provided (used) by operating activities	<u>220,682</u>	<u>(159,790)</u>	<u>60,892</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Proceeds from operating grants	-	697,914	697,914
Increase (decrease) in due (to) from other funds	<u>5,059</u>	<u>(832,666)</u>	<u>(827,607)</u>
Net cash provided (used) by non-capital financing activities	<u>5,059</u>	<u>(134,752)</u>	<u>(129,693)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(383,908)	(383,908)
Capital contributions - grants	-	383,908	383,908
Principal paid on long-term debt	(48,497)	(2,514)	(51,011)
Interest paid on long-term debt	<u>(1,333)</u>	<u>(43)</u>	<u>(1,376)</u>
Net cash provided (used) by capital and related financing activities	<u>(49,830)</u>	<u>(2,557)</u>	<u>(52,387)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest received from investments	<u>3</u>	<u>2,003</u>	<u>2,006</u>
Net increase (decrease) in cash and cash equivalents	175,914	(295,096)	(119,182)
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>692,379</u>	<u>2,057,721</u>	<u>2,750,100</u>
End of year - June 30	<u>\$ 868,293</u>	<u>\$ 1,762,625</u>	<u>\$ 2,630,918</u>

CITY OF SHELBY, NORTH CAROLINA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Stormwater Fund</u>	<u>Housing Assistance Fund</u>	<u>Total Nonmajor Funds</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 187,309	\$ (655,612)	\$ (468,303)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	53,376	245,098	298,474
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,525)	249,845	243,320
(Increase) decrease in inventories	(5,741)	-	(5,741)
(Increase) decrease in prepaids	1,200	(846)	354
Increase (decrease) in accounts payable and accrued liabilities	(8,937)	(387)	(9,324)
Increase (decrease) in customer deposits	-	1,625	1,625
Increase (decrease) in compensated absences	-	(3,564)	(3,564)
(Increase) decrease in deferred outflows of resources for pension	-	(13,709)	(13,709)
Increase (decrease) in net pension liability	-	(98,319)	(98,319)
Increase (decrease) in deferred inflows of resources for pensions	-	101,508	101,508
(Increase) decrease in deferred outflows of resources - OPEB	-	(35,344)	(35,344)
Increase (decrease) in deferred inflows of resources - OPEB	-	(7,328)	(7,328)
Increase (decrease) in other post-employment benefits	-	57,243	57,243
Net cash provided (used) by operating activities	<u>\$ 220,682</u>	<u>\$ (159,790)</u>	<u>\$ 60,892</u>
<b>Supplemental Disclosure of Non-Cash Transactions:</b>			
Right to use leased assets/lease liabilities issued	<u>\$ -</u>	<u>\$ 6,534</u>	<u>\$ 6,534</u>



## CITY OF SHELBY, NORTH CAROLINA

**ENTERPRISE FUND - STORMWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 840,000	\$ 899,396	\$ 59,396
Other fees	520	5,527	5,007
Total operating revenues	<u>840,520</u>	<u>904,923</u>	<u>64,403</u>
Non-operating revenues:			
Investment earnings	<u>-</u>	<u>3</u>	<u>3</u>
Total revenues	<u>840,520</u>	<u>904,926</u>	<u>64,406</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	<u>881,587</u>	<u>664,238</u>	<u>217,349</u>
Debt service:			
Principal repayment	51,000	48,497	2,503
Interest and fees	<u>2,000</u>	<u>1,333</u>	<u>667</u>
Total debt service	<u>53,000</u>	<u>49,830</u>	<u>3,170</u>
Total expenditures	<u>934,587</u>	<u>714,068</u>	<u>220,519</u>
Revenues over (under) expenditures	(94,067)	190,858	284,925
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	<u>94,067</u>	<u>-</u>	<u>(94,067)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>190,858</u>	<u>\$ 190,858</u>
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Debt principal		48,497	
Depreciation and amortization		<u>(53,376)</u>	
Total reconciling items		<u>(4,879)</u>	
Change in net position		<u>\$ 185,979</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 649,000	\$ 706,901	\$ 57,901
Other operating revenues	<u>3,000</u>	<u>873</u>	<u>(2,127)</u>
Total operating revenues	<u>652,000</u>	<u>707,774</u>	<u>55,774</u>
Non-operating revenues:			
Operating and capital grants	1,002,006	1,081,822	79,816
Investment earnings	<u>6,000</u>	<u>2,003</u>	<u>(3,997)</u>
Total non-operating revenues	<u>1,008,006</u>	<u>1,083,825</u>	<u>75,819</u>
Total revenues	<u>1,660,006</u>	<u>1,791,599</u>	<u>131,593</u>
<b>Expenditures:</b>			
Operating expenditures:			
Cost of sales and services:			
Administration	413,875	399,711	14,164
Operating and maintenance	978,296	718,090	260,206
Capital outlay	<u>508,553</u>	<u>390,442</u>	<u>118,111</u>
Total costs of sales and services	<u>1,900,724</u>	<u>1,508,243</u>	<u>392,481</u>
Debt service:			
Principal repayment	2,514	2,514	-
Interest and fees	<u>43</u>	<u>43</u>	<u>-</u>
Total debt service	<u>2,557</u>	<u>2,557</u>	<u>-</u>
Total expenditures	<u>1,903,281</u>	<u>1,510,800</u>	<u>392,481</u>
Revenues over (under) expenditures	<u>(243,275)</u>	<u>280,799</u>	<u>524,074</u>
<b>Other Financing Sources (Uses):</b>			
Lease liabilities issued	-	6,534	6,534
Appropriated fund balance	<u>243,275</u>	<u>-</u>	<u>(243,275)</u>
Total other financing sources (uses)	<u>243,275</u>	<u>6,534</u>	<u>(236,741)</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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	287,333	\$ 287,333
<b>Reconciliation of Modified Accrual Basis with Accrual Basis:</b>			
Capital outlay - capital assets		383,908	
Capital outlay - right to use assets		6,534	
Depreciation		(242,606)	
Amortization		(2,492)	
Lease liabilities issued		(6,534)	
Lease principal		2,514	
(Increase) decrease in compensated absences		3,564	
Increase (decrease) in deferred outflows of resources - OPEB		35,344	
(Increase) decrease in deferred inflows of resources - OPEB		7,328	
(Increase) decrease in other post-employment benefits		(57,243)	
(Increase) decrease in net pension liability		98,319	
Increase (decrease) in deferred outflows of resources - pension		13,709	
(Increase) decrease in deferred inflows of resources - pension		<u>(101,508)</u>	
Total reconciling items		<u>140,837</u>	
Change in net position		<u>\$ 428,170</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, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 13,983,195	\$ 13,819,629	\$ 163,566
2020-2021	203,286	-	61,909	141,377
2019-2020	196,749	-	29,373	167,376
2018-2019	74,947	-	12,575	62,372
2017-2018	26,898	-	4,591	22,307
2016-2017	20,534	-	2,457	18,077
2015-2016	19,392	-	1,740	17,652
2014-2015	18,076	-	990	17,086
2013-2014	25,420	-	9,341	16,079
2012-2013	22,626	-	8,190	14,436
2011-2012	13,616	-	13,616	-
Total	<u>\$ 621,544</u>	<u>\$ 13,983,195</u>	<u>\$ 13,964,411</u>	<u>\$ 640,328</u>
Less: allowance for uncollectible ad valorem taxes receivable				<u>(196,000)</u>
Ad valorem taxes receivable, net				<u>\$ 444,328</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund			\$ 13,804,863	
Ad valorem taxes - Special Revenue Fund			118,702	
Interest and penalties collected			(38,546)	
Discounts allowed			40,046	
Miscellaneous adjustments			25,730	
Arrears written off for tax year 2011-2012 per statute of limitations			<u>13,616</u>	
Total collections and credits			<u>\$ 13,964,411</u>	

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

## CITY OF SHELBY, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR TAX LEVY  
ALL DISTRICTS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Total</u>		<u>Total Levy</u>		
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 2,563,942,222	\$ 0.5175	\$ 13,268,401	\$ 12,382,765	\$ 885,636
Municipal service district taxed at current year's rate	<u>52,155,309</u>	0.7675	<u>400,292</u>	<u>371,402</u>	<u>28,890</u>
Total original levy	<u>2,616,097,532</u>		<u>13,668,693</u>	<u>12,754,167</u>	<u>914,526</u>
<b>Discoveries:</b>					
Property taxed at current year's rate	61,248,502	0.5175	316,961	316,961	-
Municipal service district taxed at current year's rate	<u>2,476</u>	0.7675	<u>19</u>	<u>19</u>	<u>-</u>
Total discoveries	<u>61,250,978</u>		<u>316,980</u>	<u>316,980</u>	<u>-</u>
<b>Releases:</b>					
Property taxed at current year's rate	34,203	0.5175	177	177	-
Municipal service district taxed at current year's rate	<u>299,805</u>	0.7675	<u>2,301</u>	<u>2,301</u>	<u>-</u>
Total abatements	<u>334,008</u>		<u>2,478</u>	<u>2,478</u>	<u>-</u>
Total property valuation	<u>\$ 2,677,014,502</u>				
<b>Net Levy</b>			13,983,195	13,068,669	914,526
Uncollected taxes at June 30, 2022			<u>163,566</u>	<u>163,566</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 13,819,629</u>	<u>\$ 12,905,103</u>	<u>\$ 914,526</u>
<b>Current Levy Collection Percentage</b>			<u>98.83%</u>	<u>98.75%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>98.48%</u>	<u>98.37%</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, 2022

	City-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 2,563,942,222	\$ 0.5175	\$ 13,268,401	\$ 12,382,765	\$ 885,636
<b>Discoveries:</b>					
Property taxed at current year's rate	61,248,502	0.5175	316,961	316,961	-
<b>Releases:</b>					
Property taxed at current year's rate	<u>34,203</u>	0.5175	<u>177</u>	<u>177</u>	<u>-</u>
Total property valuation	<u>\$ 2,625,156,522</u>				
<b>Net Levy</b>			13,585,185	12,699,549	885,636
Uncollected taxes at June 30, 2022			<u>159,931</u>	<u>159,931</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 13,425,254</u>	<u>\$ 12,539,618</u>	<u>\$ 885,636</u>
<b>Current Levy Collection Percentage</b>			<u>98.82%</u>	<u>98.74%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>98.45%</u>	<u>98.34%</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, 2022

	<u>Municipal Service District</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
	<b>Original Levy:</b>				
Property taxed at current year's rate	\$ 52,155,309	\$ 0.7675	\$ 400,292	\$ 371,402	\$ 28,890
<b>Discoveries:</b>					
Property taxed at current year's rate	2,476	0.7675	19	19	-
<b>Releases:</b>					
Property taxed at current year's rate	<u>299,805</u>	0.7675	<u>2,301</u>	<u>2,301</u>	<u>-</u>
Total property valuation	<u>\$ 51,857,980</u>				
<b>Net Levy</b>			398,010	369,120	28,890
Uncollected taxes at June 30, 2022			<u>3,635</u>	<u>3,635</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 394,375</u>	<u>\$ 365,485</u>	<u>\$ 28,890</u>
<b>Current Levy Collection Percentage</b>			<u>99.09%</u>	<u>99.02%</u>	<u>100.00%</u>
<b>Prior Year Levy Collection Percentage</b>			<u>99.45%</u>	<u>99.41%</u>	<u>100.00%</u>

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - BALANCE SHEET  
JUNE 30, 2022

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
	<b>Assets:</b>			
	Current assets:			
	Cash:			
111	Cash - unrestricted	\$ 1,718,741	\$ -	\$ 1,718,741
114	Cash - tenant security deposits	43,884	-	43,884
100	Total cash	<u>1,762,625</u>	<u>-</u>	<u>1,762,625</u>
	Accounts and notes receivables:			
124	Accounts receivable - other governments	340,496	-	340,496
126	Accounts receivable - tenant - dwelling rents	9,313	-	9,313
120	Total receivables, net allowances for uncollectibles	<u>349,809</u>	<u>-</u>	<u>349,809</u>
142	Prepaid expenses and other assets	<u>7,382</u>	<u>-</u>	<u>7,382</u>
150	Total current assets	<u>2,119,816</u>	<u>-</u>	<u>2,119,816</u>
	Non-current assets:			
174-050	Other - right to use assets, net	4,042	-	4,042
174-050	Due from other funds	833,689	-	833,689
	Fixed assets:			
161	Land	278,173	-	278,173
162	Buildings	11,141,070	-	11,141,070
163	Furniture, equipment, and machinery - dwellings	387,650	383,908	771,558
166	Accumulated depreciation	<u>(7,026,667)</u>	<u>-</u>	<u>(7,026,667)</u>
160	Total fixed assets, net of accumulated depreciation	<u>4,780,226</u>	<u>383,908</u>	<u>5,164,134</u>
180	Total non-current assets	<u>5,617,957</u>	<u>383,908</u>	<u>6,001,865</u>
190	Total assets	<u>7,737,773</u>	<u>383,908</u>	<u>8,121,681</u>
	<b>Deferred Outflows of Resources:</b>			
200	Pension and OPEB deferrals	<u>203,492</u>	<u>-</u>	<u>203,492</u>
290	Total assets and deferred outflows of resources	<u>\$ 7,941,265</u>	<u>\$ 383,908</u>	<u>\$ 8,325,173</u>
	<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>			
	Liabilities:			
	Current liabilities:			
312	Accounts payable < 90 days	\$ 18,463	\$ -	\$ 18,463
321	Accrued wages/payroll taxes payable	5,557	-	5,557
322	Accrued compensated absences	7,497	-	7,497
341	Tenant security deposits	43,884	-	43,884
343	Current portion of long-term debt	<u>2,533</u>	<u>-</u>	<u>2,533</u>
310	Total current liabilities	<u>77,934</u>	<u>-</u>	<u>77,934</u>
	Non-current liabilities:			
354	Accrued compensated absences - non-current	22,490	-	22,490
351	Long-term debt, net of current	1,487	-	1,487
	Other post-employment benefit & pension liabilities	<u>530,131</u>	<u>-</u>	<u>530,131</u>
350	Total non-current liabilities	<u>554,108</u>	<u>-</u>	<u>554,108</u>
300	Total liabilities	<u>632,042</u>	<u>-</u>	<u>632,042</u>
	<b>Deferred Inflows of Resources:</b>			
400	Pension deferrals	<u>134,154</u>	<u>-</u>	<u>134,154</u>
	<b>Net Position:</b>			
508.1	Net investment in capital assets	4,780,248	383,908	5,164,156
512.1	Unrestricted net position	<u>2,394,821</u>	<u>-</u>	<u>2,394,821</u>
513	Total net position	<u>7,175,069</u>	<u>383,908</u>	<u>7,558,977</u>
600	Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,941,265</u>	<u>\$ 383,908</u>	<u>\$ 8,325,173</u>

## CITY OF SHELBY, NORTH CAROLINA

FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

Line Item #	Account Description	Low Rent 14.850	CFP 14.872	Total
<b>Revenue:</b>				
70300	Net tenant rental revenue	\$ 706,901	\$ -	\$ 706,901
70500	Total tenant revenue	<u>706,901</u>	<u>-</u>	<u>706,901</u>
70600	HUD PHA operating grants	697,914	-	697,914
70610	HUD PHA capital grants	-	383,908	383,908
71100	Investment income - unrestricted	2,003	-	2,003
71500	Other revenues	873	-	873
70000	Total revenues	<u>1,407,691</u>	<u>383,908</u>	<u>1,791,599</u>
<b>Expenses:</b>				
Administrative:				
91100	Administrative salaries	285,928	-	285,928
91200	Audit services	7,445	-	7,445
91500	Employee benefit contributions - administrative	151,179	-	151,179
Tenant services:				
92400	Tenant services - other	1,721	-	1,721
Utilities:				
93100	Water	137,874	-	137,874
93200	Electricity	122,303	-	122,303
93300	Gas	132,070	-	132,070
94200	Ordinary maintenance and operation - materials and other	92,734	-	92,734
94300	Ordinary maintenance and operation - contract costs	32,124	-	32,124
General expenses:				
96100	Insurance premiums	90,197	-	90,197
96200	Other general expenses	13,087	-	13,087
96210	Compensated absences	29,987	-	29,987
96300	Payments in lieu of taxes	19,354	-	19,354
96400	Bad debt - tenant rents	2,285	-	2,285
96720	Interest expense - leases	43	-	43
96900	Total operating expenses	<u>1,118,331</u>	<u>-</u>	<u>1,118,331</u>
97000	Excess operating revenue over operating expenses	<u>289,360</u>	<u>383,908</u>	<u>673,268</u>
97400	Depreciation and amortization expense	<u>245,098</u>	<u>-</u>	<u>245,098</u>
90000	Total expenses	<u>1,363,429</u>	<u>-</u>	<u>1,363,429</u>
10000	Excess (deficiency) of revenue over expenses	<u>\$ 44,262</u>	<u>\$ 383,908</u>	<u>\$ 428,170</u>
MEMO Account Information:				
11030	Beginning equity	\$ 7,065,379	\$ 65,429	\$ 7,130,808
11040	Prior period adjustments, equity transfers and corrections of errors	65,428	(65,429)	(1)
11190	Unit months available	2,064	-	2,064
11210	Number of unit months leased	2,062	-	2,062



## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2022

<u>Program Name</u>	<u>AL#</u>	<u>Funds Approved</u>	<u>Funds Advanced</u>		
			<u>Ending Balance</u>	<u>Prior Audit</u>	<u>Current Year</u>
Capital Fund Program (CFP):					
NC19P034501-19	14.872	\$ 435,140	\$ 340,496	\$ 19,858	\$ 320,638
Capital Fund Program (CFP):					
NC19P034501-18	14.872	\$ 417,439	\$ 417,439	\$ 354,169	\$ 63,270

## CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF PROGRAM COSTS - COMPLETED  
FOR THE YEAR ENDED JUNE 30, 2022

<u>Program Name</u>	<u>Funds Expended</u>			<u>Excess (Deficiency)</u>	
	<u>Ending Balance</u>	<u>Prior Audit</u>	<u>Current Year</u>	<u>Funds Approved</u>	<u>Funds Advanced</u>
Capital Fund Program (CFP):					
NC19P034501-19	\$ 340,496	\$ 19,858	\$ 320,638	\$ 94,644	\$ -
Capital Fund Program (CFP):					
NC19P034501-18	\$ 417,439	\$ 354,169	\$ 63,270	\$ -	\$ -







## STATISTICAL SECTION

This part of the City of Shelby's annual comprehensive 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 134-145)

*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 146-151)

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

### Debt Capacity (Page 152-158)

*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 159-162)

*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 163-166)

*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 annual comprehensive 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)**

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 31,063	\$ 33,394	\$ 34,486	\$ 37,344	\$ 36,664
Restricted	5,882	5,077	5,448	5,566	4,325
Unrestricted	2,207	1,015	916	82	(231)
Total governmental activities net position	<u>\$ 39,152</u>	<u>\$ 39,486</u>	<u>\$ 40,850</u>	<u>\$ 42,992</u>	<u>\$ 40,758</u>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 65,346	\$ 68,475	\$ 72,259	\$ 75,472	\$ 80,074
Unrestricted	23,260	25,549	21,387	20,638	19,004
Total business-type activities net position	<u>\$ 88,606</u>	<u>\$ 94,024</u>	<u>\$ 93,646</u>	<u>\$ 96,110</u>	<u>\$ 99,078</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 96,409	\$ 101,869	\$ 106,745	\$ 112,816	\$ 116,738
Restricted	5,882	5,077	5,448	5,566	4,325
Unrestricted	25,467	26,564	22,303	20,638	18,773
Total primary government net position	<u>\$ 127,758</u>	<u>\$ 133,510</u>	<u>\$ 134,496</u>	<u>\$ 139,020</u>	<u>\$ 139,836</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 38,492	\$ 47,196	\$ 52,963	\$ 55,363	\$ 58,693
Restricted	5,426	5,564	6,350	6,461	8,920
Unrestricted	<u>(9,528)</u>	<u>(9,548)</u>	<u>(11,406)</u>	<u>(9,942)</u>	<u>(8,393)</u>
Total governmental activities net position	<u>\$ 34,390</u>	<u>\$ 43,212</u>	<u>\$ 47,907</u>	<u>\$ 51,882</u>	<u>\$ 59,220</u>
<b>Business-Type Activities</b>					
Net investment in capital assets	\$ 91,821	\$ 108,941	\$ 111,590	\$ 108,114	\$ 117,355
Unrestricted	<u>12,384</u>	<u>12,581</u>	<u>18,080</u>	<u>33,105</u>	<u>32,544</u>
Total business-type activities net position	<u>\$ 104,205</u>	<u>\$ 121,522</u>	<u>\$ 129,670</u>	<u>\$ 141,219</u>	<u>\$ 149,899</u>
<b>Primary Government</b>					
Net investment in capital assets	\$ 130,313	\$ 156,137	\$ 164,553	\$ 163,477	\$ 176,048
Restricted	5,426	5,564	6,350	6,461	8,920
Unrestricted	<u>2,856</u>	<u>3,033</u>	<u>6,674</u>	<u>23,163</u>	<u>24,151</u>
Total primary government net position	<u>\$ 138,595</u>	<u>\$ 164,734</u>	<u>\$ 177,577</u>	<u>\$ 193,101</u>	<u>\$ 209,119</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,492	\$ 2,584	\$ 2,605	\$ 2,335	\$ 3,041
Public safety	9,402	10,101	10,075	10,467	11,631
Transportation	3,960	3,193	3,101	3,349	2,891
Environmental protection	1,570	1,700	1,640	1,502	1,707
Cultural and recreational	2,106	2,354	2,295	2,471	2,590
Housing and redevelopment	222	1,133	997	2,891	1,151
Interest on long-term debt	79	41	12	57	96
Total governmental activities expenses	<u>18,831</u>	<u>21,106</u>	<u>20,725</u>	<u>23,072</u>	<u>23,107</u>
Business-type activities:					
Water	3,851	3,932	3,896	4,097	4,334
Sewer	3,936	4,441	4,257	4,359	4,448
Electric	19,168	19,892	21,974	20,608	21,272
Gas	10,294	14,512	14,717	10,827	11,543
Stormwater	-	-	294	726	833
Housing assistance	1,195	1,207	1,221	1,256	1,470
Total business-type activities expenses	<u>38,444</u>	<u>43,984</u>	<u>46,359</u>	<u>41,873</u>	<u>43,900</u>
Total primary governmental expenses	<u>\$ 57,275</u>	<u>\$ 65,090</u>	<u>\$ 67,084</u>	<u>\$ 64,945</u>	<u>\$ 67,007</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 406	\$ 377	\$ 402	\$ 3,371	\$ 572
Public safety	27	11	14	23	23
Transportation	329	346	289	268	228
Environmental protection	1,154	1,230	1,184	1,142	1,351
Cultural and recreational	327	356	302	272	295
Housing and redevelopment	139	133	-	-	-
Operating grants and contributions:					
General government	1,075	85	67	55	83
Public safety	1,050	1,014	1,143	1,167	1,192
Transportation	20	20	20	15	15
Cultural and recreational	-	30	-	-	-
Housing and redevelopment	-	205	318	683	417
Capital grants and contributions:					
Public safety	32	27	-	-	-
Transportation	435	176	360	437	328
Cultural and recreational	-	-	-	-	1
Housing and redevelopment	-	1,527	494	229	48
Total governmental activities program revenues	<u>4,994</u>	<u>5,537</u>	<u>4,593</u>	<u>7,662</u>	<u>4,553</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 3,151	\$ 2,717	\$ 3,492	\$ 3,682	\$ 3,986
Public safety	11,246	13,143	13,790	13,632	13,908
Transportation	3,040	5,977	3,225	3,258	4,772
Environmental protection	2,084	1,955	2,054	1,884	1,871
Cultural and recreational	2,534	13	(1,505)	3,003	3,325
Housing and redevelopment	1,804	1,199	6,027	839	1,489
Interest on long-term debt	<u>252</u>	<u>240</u>	<u>195</u>	<u>448</u>	<u>244</u>
Total governmental activities expenses	<u>24,111</u>	<u>25,244</u>	<u>27,278</u>	<u>26,746</u>	<u>29,595</u>
Business-type activities:					
Water	4,357	4,399	4,673	4,623	4,972
Sewer	4,724	5,506	5,084	5,072	5,271
Electric	20,922	19,499	19,335	18,666	19,078
Gas	12,921	13,535	12,642	14,222	21,770
Stormwater	938	737	617	815	719
Housing assistance	<u>1,321</u>	<u>1,335</u>	<u>1,407</u>	<u>1,311</u>	<u>1,363</u>
Total business-type activities expenses	<u>45,183</u>	<u>45,011</u>	<u>43,758</u>	<u>44,709</u>	<u>53,173</u>
Total primary governmental expenses	<u>\$ 69,294</u>	<u>\$ 70,255</u>	<u>\$ 71,036</u>	<u>\$ 71,455</u>	<u>\$ 82,768</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 556	\$ 446	\$ 769	\$ 417	\$ 459
Public safety	36	29	48	435	487
Transportation	281	257	302	479	633
Environmental protection	1,351	1,673	1,513	1,291	1,318
Cultural and recreational	297	291	265	333	471
Housing and redevelopment	-	154	3	2	-
Operating grants and contributions:					
General government	340	45	81	193	142
Public safety	1,197	1,280	1,285	1,467	1,134
Transportation	-	-	72	-	62
Cultural and recreational	-	-	-	-	-
Housing and redevelopment	222	711	247	272	601
Capital grants and contributions:					
Public safety	921	-	-	-	-
Transportation	445	4,184	2,550	218	979
Cultural and recreational	304	316	24	-	-
Housing and redevelopment	<u>352</u>	<u>149</u>	<u>1,646</u>	<u>1,219</u>	<u>815</u>
Total governmental activities program revenues	<u>6,302</u>	<u>9,535</u>	<u>8,805</u>	<u>6,326</u>	<u>7,101</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Business-type activities:					
Charges for services					
Water	4,260	4,630	4,849	4,722	5,151
Sewer	4,926	5,088	5,082	5,230	5,604
Electric	20,259	21,468	22,286	21,981	22,641
Gas	13,142	18,547	17,591	14,164	14,955
Stormwater	-	-	796	736	810
Housing assistance	582	586	593	623	633
Operating grants and contributions					
Water	122	91	85	79	72
Sewer	43	37	35	32	30
Gas	12	11	10	9	8
Housing assistance	243	424	462	455	450
Capital grants and contributions					
Water	-	465	-	-	6
Sewer	95	624	-	-	-
Electric	34	-	-	-	-
Gas	-	261	-	-	-
Housing assistance	295	226	166	260	77
Total business-type activities program revenues	<u>44,013</u>	<u>52,458</u>	<u>51,955</u>	<u>48,291</u>	<u>50,437</u>
Total primary governmental program revenues	<u>\$ 49,007</u>	<u>\$ 57,995</u>	<u>\$ 56,548</u>	<u>\$ 55,953</u>	<u>\$ 54,990</u>
Net (expense)/revenue					
Governmental activities	\$ (13,837)	\$ (15,569)	\$ (16,132)	\$ (15,410)	\$ (18,554)
Business-type activities	<u>5,569</u>	<u>8,474</u>	<u>5,595</u>	<u>6,417</u>	<u>6,537</u>
Total primary governmental net expenses (revenues)	<u>\$ (8,268)</u>	<u>\$ (7,095)</u>	<u>\$ (10,537)</u>	<u>\$ (8,993)</u>	<u>\$ (12,017)</u>

**General Revenues and Other Changes in Net Position**

Governmental activities:					
Taxes					
Property taxes, levied for general purpose	\$ 7,732	\$ 8,017	\$ 8,316	\$ 8,263	\$ 9,016
Sales tax	2,862	2,809	2,980	3,061	3,501
Franchise tax	1,572	1,586	1,835	2,008	1,930
Other taxes	12	90	97	99	104
Miscellaneous	1,721	-	-	-	-
Unrestricted investment earnings	(115)	186	143	114	(4)
Gain on disposal of assets	-	-	-	-	-
Transfers	<u>2,560</u>	<u>3,215</u>	<u>5,584</u>	<u>4,005</u>	<u>-</u>
Total governmental activities	<u>16,344</u>	<u>15,903</u>	<u>18,954</u>	<u>17,550</u>	<u>14,547</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Business-type activities:					
Charges for services					
Water	4,712	5,133	5,431	5,453	6,142
Sewer	5,447	6,099	5,843	6,137	6,853
Electric	23,250	23,840	24,938	25,894	22,817
Gas	17,252	18,180	16,138	19,723	26,778
Stormwater	789	848	906	920	905
Housing assistance	973	655	669	669	708
Operating grants and contributions					
Water	65	58	51	43	18
Sewer	27	24	21	18	7
Gas	8	7	6	5	2
Housing assistance	466	435	622	581	698
Capital grants and contributions					
Water	1,128	6,706	571	-	-
Sewer	3,477	6,166	(80)	-	-
Electric	-	-	-	136	-
Gas	175	324	-	-	-
Housing assistance	252	255	323	65	384
Total business-type activities program revenues	<u>58,021</u>	<u>68,730</u>	<u>55,439</u>	<u>59,644</u>	<u>65,312</u>
Total primary governmental program revenues	<u>\$ 64,323</u>	<u>\$ 78,265</u>	<u>\$ 64,244</u>	<u>\$ 65,970</u>	<u>\$ 72,413</u>
Net (expense)/revenue					
Governmental activities	\$ (17,809)	\$ (15,709)	\$ (18,473)	\$ (20,420)	\$ (22,494)
Business-type activities	<u>12,838</u>	<u>23,719</u>	<u>11,681</u>	<u>14,935</u>	<u>12,139</u>
Total primary governmental net expenses (revenues)	<u>\$ (4,971)</u>	<u>\$ 8,010</u>	<u>\$ (6,792)</u>	<u>\$ (5,485)</u>	<u>\$ (10,355)</u>

**General Revenues and Other Changes in**  
**Net Position**

Governmental activities:					
Taxes					
Property taxes, levied for general purpose	\$ 10,366	\$ 10,905	\$ 12,736	\$ 13,346	\$ 13,937
Sales tax	3,972	4,542	4,587	5,589	6,575
Franchise tax	1,975	2,024	1,918	1,945	1,913
Other taxes	103	101	102	100	103
Miscellaneous	-	-	-	-	-
Unrestricted investment earnings	249	334	196	25	56
Gain on disposal of assets	-	-	-	-	3,775
Transfers	-	-	-	3,390	3,473
Total governmental activities	<u>16,665</u>	<u>17,906</u>	<u>19,539</u>	<u>24,395</u>	<u>29,832</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Business-type activities					
Unrestricted investment earnings	(106)	159	27	52	(11)
Miscellaneous	-	-	-	-	-
Transfers	<u>(2,560)</u>	<u>(3,215)</u>	<u>(5,584)</u>	<u>(4,005)</u>	<u>-</u>
Total business-type activities	<u>(2,666)</u>	<u>(3,056)</u>	<u>(5,557)</u>	<u>3,953</u>	<u>(11)</u>
Total primary government	<u>\$ 13,678</u>	<u>\$ 12,847</u>	<u>\$ 13,397</u>	<u>\$ 21,503</u>	<u>\$ 14,536</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 2,508	\$ 334	\$ 2,824	\$ 2,141	\$ (32)
Business-type activities	<u>2,903</u>	<u>5,418</u>	<u>38</u>	<u>2,465</u>	<u>2,551</u>
Total primary government	<u>\$ 5,411</u>	<u>\$ 5,752</u>	<u>\$ 2,862</u>	<u>\$ 4,606</u>	<u>\$ 2,519</u>



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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Business-type activities					
Unrestricted investment earnings	132	222	97	4	13
Miscellaneous	(1,083)	-	-	-	
Transfers	-	-	-	(3,390)	(3,473)
Total business-type activities	<u>(951)</u>	<u>222</u>	<u>97</u>	<u>(3,386)</u>	<u>(3,460)</u>
Total primary government	<u>\$ 15,714</u>	<u>\$ 18,128</u>	<u>\$ 19,636</u>	<u>\$ 21,009</u>	<u>\$ 26,372</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 2,709	\$ 8,822	\$ 4,695	\$ 3,975	\$ 7,338
Business-type activities	<u>8,032</u>	<u>17,317</u>	<u>8,148</u>	<u>11,549</u>	<u>8,680</u>
Total primary government	<u>\$ 10,741</u>	<u>\$ 26,139</u>	<u>\$ 12,843</u>	<u>\$ 15,524</u>	<u>\$ 16,018</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Fund					
Non-spendable	\$ 436	\$ 422	\$ 372	\$ 434	\$ 452
Restricted	4,101	4,163	3,813	3,991	3,179
Assigned	465	334	472	351	730
Unassigned	<u>3,020</u>	<u>3,005</u>	<u>4,267</u>	<u>2,859</u>	<u>3,697</u>
Total General Fund	<u>\$ 8,022</u>	<u>\$ 7,924</u>	<u>\$ 8,924</u>	<u>\$ 7,636</u>	<u>\$ 8,058</u>
All other governmental funds					
Non-spendable					
Special Revenue Fund	\$ -	\$ -	\$ 59	\$ 61	\$ 12
Permanent funds	639	712	764	818	879
Restricted					
Special Revenue Fund	424	185	191	221	239
Capital Projects Fund	254	17	669	525 *	7,853
Permanent funds	-	-	11	11	15
Committed					
Special Revenue Fund	-	-	-	-	-
Capital Projects Fund	-	460	804	199	445
Assigned					
Special Revenue Fund	1,582	435	416	2,013	1,730
Capital Projects Fund	309	-	-	-	-
Unassigned					
Special Revenue Fund	-	-	-	-	-
Capital Projects Fund	-	-	(513)	(666)	-
Total all other governmental funds	<u>\$ 3,208</u>	<u>\$ 1,809</u>	<u>\$ 2,401</u>	<u>\$ 3,182</u>	<u>\$ 3,320</u>

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

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

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General Fund					
Non-spendable	\$ 475	\$ 477	\$ 491	\$ 574	\$ 682
Restricted	3,385	3,622	3,770	5,204	7,755
Assigned	343	604	662	-	93
Unassigned	<u>5,028</u>	<u>2,897</u>	<u>4,539</u>	<u>6,425</u>	<u>8,491</u>
Total General Fund	<u>\$ 9,231</u>	<u>\$ 7,600</u>	<u>\$ 9,462</u>	<u>\$ 12,203</u>	<u>\$ 17,021</u>
All other governmental funds					
Non-spendable					
Special Revenue Fund	\$ 30	\$ 32	\$ 30	\$ 27	\$ 29
Permanent funds	1,191	1,244	1,318	1,495	1,601
Restricted					
Special Revenue Fund	289	659	1,206	214	181
Capital Projects Fund	3,503	3,124	1,759	112	6,703
Permanent funds	11	11	11	11	11
Committed					
Special Revenue Fund	-	-	-	-	5
Capital Projects Fund	200	216	199	199	688
Assigned					
Special Revenue Fund	1,923	2,723	1,975	2,594	3,762
Capital Projects Fund	-	-	-	-	-
Unassigned					
Special Revenue Fund	-	-	(67)	-	-
Capital Projects Fund	<u>(622)</u>	<u>(633)</u>	<u>(771)</u>	<u>(391)</u>	<u>(1,643)</u>
Total all other governmental funds	<u>\$ 6,525</u>	<u>\$ 7,376</u>	<u>\$ 5,660</u>	<u>\$ 4,261</u>	<u>\$ 11,337</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenues</b>					
Ad valorem taxes	\$ 7,721	\$ 8,020	\$ 8,298	\$ 8,326	\$ 9,015
Other taxes and licenses	2,863	2,808	2,980	3,061	3,501
Unrestricted intergovernmental revenues	1,761	1,741	2,007	2,221	2,149
Restricted intergovernmental revenues	2,390	2,746	1,933	2,259	1,737
Permits and fees	149	207	232	327	347
Sales and services	1,822	1,968	1,783	1,698	1,893
Investment earnings	(115)	186	143	114	(4)
Donations	62	74	61	53	61
Miscellaneous	400	455	500	362	357
Total revenues	<u>17,053</u>	<u>18,205</u>	<u>17,936</u>	<u>18,422</u>	<u>19,056</u>
<b>Expenditures</b>					
General government	2,077	2,282	1,639	1,825	2,020
Public safety	9,092	9,164	9,613	9,978	10,430
Transportation	3,771	2,502	2,977	2,853	2,991
Environmental protection	1,635	1,593	1,537	1,502	1,485
Cultural and recreational	1,944	2,062	1,999	1,876	1,656
Housing and redevelopment	222	1,134	1,529	3,456	1,334
Capital outlay	-	3,822	3,254	4,128	2,077
Debt service					
Principal	822	923	959	934	973
Interest and other charges	79	25	13	58	66
Total expenditures	<u>19,642</u>	<u>23,507</u>	<u>23,520</u>	<u>26,611</u>	<u>23,033</u>
Excess of revenues over (under) expenditures	<u>(2,589)</u>	<u>(5,302)</u>	<u>(5,302)</u>	<u>(8,189)</u>	<u>(3,977)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	4,375	3,727	6,983	4,303	5,377
Transfers to other funds	(1,815)	(512)	(1,399)	(299)	(1,402)
Installment debt issued	658	560	1,515	828	8,371
Lease liabilities issued	-	-	-	-	-
Proceeds from sale of assets	1,721	29	11	2,849	44
Total other financing sources (uses)	<u>4,939</u>	<u>3,804</u>	<u>7,110</u>	<u>4,682</u>	<u>12,390</u>
Net change in fund balance	<u>\$ 2,350</u>	<u>\$ (1,498)</u>	<u>\$ 1,526</u>	<u>\$ (507)</u>	<u>\$ 8,413</u>
Debt services as a percentage of non-capital expenditures	<u>4.59%</u>	<u>4.82%</u>	<u>4.80%</u>	<u>4.41%</u>	<u>4.96%</u>

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

	<b>Fiscal Year Ended June 30</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Revenues</b>					
Ad valorem taxes	\$ 10,351	\$ 10,848	\$ 12,537	\$ 13,397	\$ 13,924
Other taxes and licenses	3,972	4,542	4,587	5,589	6,575
Unrestricted intergovernmental revenues	2,265	2,271	2,243	2,229	2,221
Restricted intergovernmental revenues	3,272	4,748	7,134	3,068	3,480
Permits and fees	267	220	290	388	432
Sales and services	1,943	2,243	2,107	2,166	2,454
Investment earnings	213	334	196	25	56
Donations	306	45	81	169	104
Miscellaneous	327	509	593	351	426
Total revenues	<u>22,916</u>	<u>25,760</u>	<u>29,768</u>	<u>27,382</u>	<u>29,672</u>
<b>Expenditures</b>					
General government	1,279	2,629	2,973	3,395	3,670
Public safety	10,576	12,047	12,378	12,121	13,406
Transportation	2,505	5,471	2,676	3,051	4,355
Environmental protection	1,596	1,676	1,715	1,947	1,883
Cultural and recreational	2,011	(309)	(1,842)	2,726	3,017
Housing and redevelopment	1,804	1,199	6,027	6,476	3,489
Capital outlay	10,034	9,411	8,610	-	-
Debt service					
Principal	1,493	1,605	1,471	2,194	6,395
Interest and other charges	242	248	192	403	290
Total expenditures	<u>31,540</u>	<u>33,977</u>	<u>34,200</u>	<u>32,313</u>	<u>36,505</u>
Excess of revenues over (under) expenditures	<u>(8,624)</u>	<u>(8,217)</u>	<u>(4,432)</u>	<u>(4,931)</u>	<u>(6,833)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	4,902	9,854	5,109	5,944	6,145
Transfers to other funds	(1,047)	(3,229)	(1,479)	(2,553)	(2,672)
Installment debt issued	1,259	480	946	3,597	7,496
Lease liabilities issued	-	-	-	-	271
Proceeds from sale of assets	35	333	1	28	6,745
Total other financing sources (uses)	<u>5,149</u>	<u>7,438</u>	<u>4,577</u>	<u>7,016</u>	<u>17,985</u>
Net change in fund balance	<u>\$ (3,475)</u>	<u>\$ (779)</u>	<u>\$ 145</u>	<u>\$ 2,085</u>	<u>\$ 11,152</u>
Debt services as a percentage of non-capital expenditures	<u>8.07%</u>	<u>7.54%</u>	<u>6.50%</u>	<u>8.04%</u>	<u>19.91%</u>

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

<u>Year Ended June 30</u>	<u>Ad Valorem</u>	<u>Sales</u>	<u>Intangibles</u>	<u>Utility Franchise</u>	<u>Beer and Wine</u>
2013	7,991,528	2,862,052	-	1,571,869	84,396
2014	8,242,626	2,789,957	-	1,586,083	88,147
2015	8,307,608	2,972,202	-	1,834,935	96,241
2016	9,000,184	3,053,826	-	2,008,127	88,688
2017	10,344,689	3,494,500	-	1,929,904	90,926
2018	10,835,295	3,964,274	-	1,974,948	86,972
2019	12,541,679	4,535,002	-	2,023,730	86,244
2020	13,380,193	4,585,162	-	1,918,023	86,107
2021	13,397,206	5,588,203	-	1,945,397	83,894
2022	13,923,565	6,575,004	-	1,913,081	87,274

\* Includes General and Special Revenue Funds.

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

<u>Year Ended June 30</u>	<u>Inventory</u>	<u>Food Stamp</u>	<u>Licenses and CATV Franchise</u>	<u>Total</u>
2013	-	-	-	12,211,079
2014	-	-	-	12,708,827
2015	-	-	-	13,213,001
2016	-	-	-	14,152,841
2017	-	-	-	15,862,037
2018	-	-	-	16,863,507
2019	-	-	-	19,188,674
2020	-	-	-	19,971,505
2021	-	-	-	21,016,721
2022	-	-	-	22,500,946

\* 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>
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
2021	1,689,180	732,907	59,353	2,481,440	0.5225
2022	1,713,194	765,974	63,315	2,542,482	0.5175

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)

<b>Year Ended June 30</b>	<b>City of Shelby (#)</b>	<b>Uptown Shelby Municipal Service District</b>	<b>Cleveland County</b>	<b>County School District</b>
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
2021	0.5225	0.250	0.570	0.150
2022	0.5175	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	2022			2013		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Clearwater Paper Corporation	\$ 528,654	1	21.68%			
Nippon Electric Glass (Formerly PPG)	133,905	2	5.49%	\$ 97,819	1	5.91%
Cleveland County	86,015	3	3.53%			
Charlotte-Mecklenburg Hospital	66,636	4	2.73%			
Wal-Mart Stores	63,189	5	2.59%	50,854	2	3.07%
KSM Castings NC Inc.	53,916	6	2.21%	-		
Greenkheck Fan Corp & Real Estate Holdings	33,893	7	1.39%			
Curtis Wright Controls, Inc.	28,931	8	1.19%	21,017	3	1.27%
Mafic USA LLC	25,342	9	1.04%			
Duke Energy Carolina	23,778	10	0.98%			
Shelby Mall LLC				10,751	6	0.65%
Lowe's Home Centers, Inc.				14,150	4	0.85%
Bell South Telephone Company				8,137	8	0.49%
Carlisle at Delta Park LLC				7,134	10	0.43%
Wal-Mart Real Estate Business				11,581	5	0.70%
Cleveland Yutaka Corporation				9,524	7	0.58%
Kendrion Shelby, Inc				8,277	8	0.50%
Cleve Co Industrial Fac & Pol Con				7,423	9	0.45%
Totals	<u>\$ 1,044,259</u>		<u>42.82%</u>	<u>\$ 253,801</u>		<u>15.33%</u>
Total Taxable Assessed Value	<u>\$ 2,438,650</u>			<u>\$ 1,656,112</u>		

**Source:** Cleveland County Tax Assessor's Office (Tracy Lavender)

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
2013	7,759	7,486	96.48%	23	195	7,681	99.02%
2014	7,670	7,437	96.96%	25	22	7,459	97.24%
2015	7,543	7,385	97.91%	18	39	7,424	97.84%
2016	7,756	7,604	98.04%	19	125	7,729	98.04%
2017	8,356	8,204	98.18%	21	112	8,315	99.52%
2018	9,666	9,523	98.53%	27	94	9,617	99.49%
2019	10,170	9,967	98.01%	75	107	10,074	99.06%
2020	11,994	11,622	96.90%	197	163	11,785	98.26%
2021	12,474	12,271	98.37%	203	-	12,271	98.37%
2022	13,804	13,643	98.83%	161	-	12,905	93.49%

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	
	Installment Purchase Obligations	General Obligation Bonds	Revenue Bonds	State Revolving Loans		Installment Purchase Obligations
2013	3,119	-	25,921	-	1,301	30,341
2014	2,756	-	23,224	-	2,022	28,002
2015	3,312	-	20,462	-	11,165	34,939
2016	3,207	-	20,046	-	14,302	37,555
2017	10,605	-	20,545	-	13,723	44,873
2018	10,371	-	18,928	-	23,891	53,190
2019	9,246	-	17,256	-	25,542	52,044
2020	8,721	-	15,528	-	47,097	71,346
2021	15,623	-	13,754	-	54,324	83,701
2022	8,165	6,000	11,574	-	51,722	77,461

N/A - information not available.

(1) Cleveland County

**City of Shelby, North Carolina**  
**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years (in thousands of dollars, except per capita amount)**

<b>Year Ended June 30</b>	<b>(1)</b>	<b>Percentage of Personal Income</b>	<b>(2)</b>	<b>Per Capita</b>
	<b>(County) Personal Income (amounts expressed in thousands)</b>		<b>(County) Per Capita Personal Income</b>	
2013	3,268,534	0.93%	21,036	1,502
2014	3,618,414	0.77%	N/A	1,378
2015	3,829,655	0.91%	20,504	1,697
2016	3,739,455	1.00%	20,003	1,852
2017	3,892,854	1.15%	20,585	2,235
2018	3,838,028	1.39%	20,789	2,657
2019	3,531,415	1.47%	21,664	2,597
2020	3,677,383	1.94%	20,585	3,557
2021	3,753,633	2.23%	22,123	#REF!
2022	4,121,428	1.88%	24,505	#REF!

N/A - information not available.

(1) Cleveland County

(2) [census.gov/quickfacts/clevelandcountynorthcarolina](https://census.gov/quickfacts/clevelandcountynorthcarolina)

**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>
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
2021	-	0.00%	N/A
2022	6,000	0.24%	270

**City of Shelby, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2022**

	<u>Net General Obligation Bonded Debt</u>	<u>Percentage Applicable To City**</u>	<u>City of Shelby Share of Debt</u>
Direct debt - City of Shelby*			
General Obligation Bonded Debt	\$ -	0.00%	\$ -
2017 Purchase of Equipment	-	100.00%	-
2018 Purchase of Equipment	264,254	100.00%	264,254
2019 Purchase of Equipment	199,813	100.00%	199,813
2020 Purchase of Equipment	571,745	100.00%	571,745
2021 Purchase of Equipment	500,306	100.00%	500,306
2022 Purchase of Equipment	1,495,800	100.00%	1,495,800
Hanna Park Capital Project	5,133,333	100.00%	5,133,333
Overlapping Governmental debt - Cleveland County*	<u>51,776,194</u>	28.06%	<u>14,529,675</u>
Total direct and overlapping debt	<u>\$ 59,941,446</u>		<u>\$ 22,694,927</u>

\* Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the city. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\*\* Allocated based on assessed valuation per Cleveland County

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

<b>Year Ended June 30</b>	<b>Debt Limits 8% of Assessed Value</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
2013	140,710	4,436	136,274	3.15%
2014	145,705	4,778	117,703	4.06%
2015	145,123	33,939	111,184	30.53%
2016	149,831	37,445	112,386	33.32%
2017	143,174	44,874	98,301	45.65%
2018	164,978	53,191	111,787	47.58%
2019	165,834	52,044	113,790	45.74%
2020	194,149	71,345	122,804	58.10%
2021	202,702	83,701	119,001	70.34%
2022	214,161	77,461	136,700	56.66%



**City of Shelby, North Carolina**  
**Computation of Legal Debt Margin**  
**June 30, 2022**

		(Thousands of dollars)
Assessed value of taxable property		<u>\$ 2,677,015</u>
Debt limit - eight percent (8%) of assessed value		\$ 214,161
Gross debt		
General obligation bonds	\$ 6,000	
Revenue bonds	11,574	
Other financing agreements/notes payable	59,887	\$ 77,461
Total amount of debt applicable to debt limitation		<u>77,461</u>
Legal debt margin		<u>\$ 136,700</u>

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

<b>Year Ended June 30</b>	<b>Gross Revenues*</b>	<b>Operating Expenses**</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirements***</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2013	43,169,216	34,043,599	9,125,617	2,198,610	868,377	3,066,987	298%
2014	50,319,644	39,613,948	10,705,696	2,021,676	56,389	2,078,065	515%
2015	51,197,509	41,830,970	9,366,539	2,761,394	908,417	3,669,811	255%
2016	47,457,107	37,476,271	9,980,836	3,490,674	856,321	4,346,995	230%
2017	48,351,028	37,529,836	10,821,192	2,520,169	760,365	3,280,534	330%
2018	50,661,722	38,473,490	12,188,232	1,617,647	701,826	2,319,473	525%
2019	53,252,633	38,163,877	15,088,756	1,672,016	639,724	2,311,740	653%
2020	52,350,287	36,930,970	15,419,317	1,727,449	575,380	2,302,829	670%
2021	57,206,325	37,651,702	19,554,623	1,773,991	508,726	2,282,717	857%
2022	62,589,473	45,758,713	16,830,760	2,180,197	402,481	2,582,678	652%

\* Total operating revenues

\*\* Total operating expenses exclusive of depreciation

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

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

<b>Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Per Capita Income</b>	<b>(2) Median Age</b>	<b>(3) School Enrollment</b>	<b>(4) Unemployment Rate</b>	<b>(5) Personal Income</b>
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%	3,531,415
2020	20,058	20,585	40.3	13,987	4.60%	3,677,383
2021	20,026	22,123	39.4	13,629	5.10%	*32,500
2022	22,238	20,585	45.9	14,148	5.10%	32,500

- (1) NC Department of Budget & Management [nc.gov/demog/](http://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](http://www.bestplaces.net/economy/city/north_carolina/shelby) [www.northcarolina.hometownlocator.com/zip-codes](http://www.northcarolina.hometownlocator.com/zip-codes)
- (3) NC Department of Public Instruction - Final Average Daily Membership for the fiscal year  
<https://www.dpi.nc.gov/districts-schools/district-operations/financial-and-business-services/demographics-and-finances/student-accounting-data#ui-id-5>
- (4) Employment Security Commission
- (5) Amounts for Cleveland County expressed in thousands of dollars taken from Bureau of Economic Analysis - for prior calendar year  
<https://bea.gov/regional/> [Cleveland County NC Financial Report](#)
- N/A - information not available. \*Median Household Income

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

<b>Employer</b>	<b>Industry</b>	<b>2022</b>		<b>2018</b>	
		<b>Rank</b>	<b>Employment Range</b>	<b>Rank</b>	<b>Employment Range</b>
Cleveland County School District	Education	1	1000+	1	1000+
Wal-Mart Distribution Center	Retail distribution	2	1000+	3	1000+
Atrium Health (Formerly Cleveland Regional)	Health services	3	1000+	2	1000+
Cleveland County Government	Public administration	4	500-999	4	500-999
Greenheck Fan Corporation	Manufacturing	5	500-999		
Hanesbrands, Inc.	Retail distribution	6	500-999		
Clearwater Paper	Manufacturing	7	500-999		
Ingles Markets	Trade/Transportation/Utilities	8	500-999	6	500-999
NEG (Formerly PPG Fiber Glass Products)	Industrial supplies	9	500-999	9	250-499
Gardner-Webb University	Education	10	250-499	5	500-999
ABB (Formerly Baldor Electric Company)	Manufacturing			7	500-999
Cleveland Community College	Education			8	500-999
City of Shelby	Public administration			10	250-499
Eaton Corporation	Manufacturing				
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  
d4/nccommerce.com/!CEWLargestEmployers

**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				
	2013	2014	2015	2016	2017*
General government	40.0	35.0	35.0	34.0	34.0
Public safety					
Police	86.0	97.0	97.0	95.0	88.0
Fire	57.0	58.0	58.0	56.0	53.0
Transportation	22.0	21.0	21.0	24.0	23.0
Environmental protection	16.0	17.0	17.0	16.0	16.0
Cultural and recreational	32.0	30.0	30.0	32.0	22.0
Housing and redevelopment	9.0	9.0	9.0	9.0	9.0
Business-type activities					
Water	17.0	18.0	16.0	16.5	16.0
Sewer	19.0	21.0	21.0	23.0	24.0
Electric	12.0	12.0	12.0	14.0	15.0
Gas	17.0	18.0	18.0	19.0	19.0
Stormwater	-	-	2.0	2.0	2.0
Housing	7.0	7.0	7.0	7.5	7.0
Total	<u>334.0</u>	<u>343.0</u>	<u>343.0</u>	<u>348.0</u>	<u>328.0</u>

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

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

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

Function	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
General government	34.0	34.0	34.0	37.0	37.0
Public safety					
Police	88.0	88.0	88.0	88.0	90.0
Fire	54.0	54.0	54.0	54.0	54.0
Transportation	22.0	22.0	23.0	22.0	22.0
Environmental protection	16.0	16.0	16.0	16.0	16.0
Cultural and recreational	22.0	26.0	26.0	26.0	26.0
Housing and redevelopment	9.0	9.0	9.0	9.0	9.0
Business-type activities					
Water	18.0	18.0	18.0	20.0	20.0
Sewer	22.0	22.0	22.0	22.0	22.0
Electric	15.0	15.0	16.0	16.0	16.0
Gas	19.0	19.0	19.0	19.0	19.0
Stormwater	3.0	3.0	3.0	3.0	3.0
Housing	7.0	7.0	7.0	8.0	8.0
<b>Total</b>	<b>329.0</b>	<b>333.0</b>	<b>335.0</b>	<b>340.0</b>	<b>342.0</b>

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

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

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

Function	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Public safety					
Police:					
Number of calls for service	35,877	35,877	36,173	36,186	46,592
Uniform Crime Report Part I crimes reported	887	761	861	771	816
Uniform Crime Report Part II crimes reported	475	453	525	517	483
Fire					
Number of responses	1,984	1,935	2,112	2,250	2,285
Number of inspections	1,365	1,185	1,258	1,355	1,423
Transportation					
Miles of street repaved	1.83	2.38	2.57	4.13	2.01
Environmental protection					
Tons of solid waste collected	6,354	4,884	6,632	7,045	6,960
Tons of recycling collected	728	710	955	996	959
Tons of yard waste collected	-	-	-	-	5,635
Cultural and recreational					
Number of youth sport program participants	3,385	3,881	4,009	4,114	4,188
Number of adult sport program participants	1,141	1,230	1,351	1,762	1,966
Number of golf rounds played	9,761	8,704	7,529	6,506	6,583
Housing and redevelopment					
Building inspections:					
Number of permits issued	1,167	1,007	1,138	1,066	1,202
Number of inspections	3,634	3,395	3,935	4,384	4,187
Business-type activities					
Water system					
Customers at June 30	9,746	9,739	9,874	9,927	9,996
Average of daily consumption **	4.73	5.57	5.84	5.67	6.07
Peak daily consumption **	7.65	8.15	8.45	8.45	9.33
Sewer system					
Customers at June 30	8,031	8,016	8,136	8,201	8,264
Average of daily treatment **	2.95	3.57	3.07	3.47	3.04
Peak daily treatment **	12.86	10.59	10.25	11.77	8.52
Electric system					
Customers at June 30	7,504	7,505	7,605	7,671	7,729
Natural gas system					
Customers at June 30	9,582	9,588	9,643	9,617	9,624

\*\* Numbers in millions of gallons

Source: Various City Departments



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

Function	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
<b>Public safety</b>					
Police:					
Number of calls for service	39,097	43,360	35,777	38,387	38,713
Uniform Crime Report Part I crimes reported	708	846	492	897	777
Uniform Crime Report Part II crimes reported	519	649	888	1,367	944
Fire					
Number of responses	2,199	2,496	2,214	1,694	
Number of inspections	1,103	1,489	771	1,650	
<b>Transportation</b>					
Miles of street repaved	3.22	2.64	4.23	2.76	3.37
<b>Environmental protection</b>					
Tons of solid waste collected	7,174	7,481	7,481	9,245	8,884
Tons of recycling collected	1,050	1,064	391	-	-
Tons of yard waste collected	7,665	5,331	5,645	5,808	3,638
<b>Cultural and recreational</b>					
Number of youth sport program participants	4,390	4,178	1,583	1,583	4,975
Number of adult sport program participants	2,268	2,230	1,080	1,080	4,791
Number of golf rounds played	6,138	5,481	8,793	12,412	12,281
<b>Housing and redevelopment</b>					
Building inspections:					
Number of permits issued	1,428	1,114	1,022	1,073	
Number of inspections	4,256	2,896	2,955	3,200	
<b>Business-type activities</b>					
Water system					
Customers at June 30	10,036	10,031	10,112	10,148	10,192
Average of daily consumption **	6.22	6.23	6.35	5.14	5.43
Peak daily consumption **	8.95	8.60	9.01	8.45	7.60
Sewer system					
Customers at June 30	8,319	9,343	8,411	8,418	8,460
Average of daily treatment **	3.22	3.84	3.70	3.66	3.05
Peak daily treatment **	9.51	10.66	6.35	14.99	7.80
Electric system					
Customers at June 30	7,750	7,716	7,790	7,794	
Natural gas system					
Customers at June 30	9,647	9,652	9,735	9,785	

\*\* 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				
	2013	2014	2015	2016	2017
Public safety					
Police					
Number of stations	1	1	1	2	2
Number of patrol units	47	50	50	50	50
Fire					
Number of stations	3	3	3	3	3
Transportation					
Number of airports	1	1	1	1	1
Miles of paved roads	123	124	124	124	124
Miles of unpaved roads	0	0	0	0	0
Miles of sidewalks	28	28	29	30	30
Cultural and recreation					
Number of parks	12	12	12	12	12
Acres of parks land ***	340	340	340	340	340
Swimming pools	1	1	1	1	1
Gymnasiums	2	2	2	2	2
Golf course (nine holes)	1	1	1	1	1
Business-type activities					
Water system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	12	12	12	12	12
Miles of water mains	221	222	223	221	221
Number of fire hydrants	1,358	1,376	1,389	1,394	1,412
Sewer system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	6	6	6	6	6
Miles of sanitary sewers	190	190	191	191	191
Miles of force main					
Miles of storm sewers	10	10	25	26	26
Electric system					
Number of sub-stations	4	4	4	4	4
System capacity **	65	65	65	65	65
Miles of primary lines	146	147	148	148	149
Miles of secondary lines	210	211	211	211	211
Natural gas system					
Miles of gas mains	482	504	501	501	502

\* In millions of gallons

\*\* In mega-watts

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

**Source:** Various City Departments

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

Function	Fiscal Year Ended June 30				
	2018	2019	2020	2021	2022
Public safety					
Police					
Number of stations	2	1	1	1	1
Number of patrol units	50	50	50	56	56
Fire					
Number of stations	3	3	3	3	3
Transportation					
Number of airports	1	1	1	1	1
Miles of paved roads	124	125	125	125	
Miles of unpaved roads	0	0	0	0	
Miles of sidewalks	30	30	30	31	
Cultural and recreation					
Number of parks	12	12	12	12	12
Acres of parks land ***	340	340	340	340	340
Swimming pools	1	1	1	1	1
Gymnasiums	2	2	2	2	2
Golf course (nine holes)	1	1	1	1	1
Business-type activities					
Water system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	12	12	12	12	12
Miles of water mains	221	228	227	227	227
Number of fire hydrants	1,416	1,440	1,447	1,447	1,453
Sewer system					
Number of treatment plants	1	1	1	1	1
Plant capacity *	6	6	6	6	6
Miles of sanitary sewers	191	194	194	194	195
Miles of force main	25	26	26	26	26
Miles of storm sewers	26	29	122	29	29
Electric system					
Number of sub-stations	4	4	4	4	4
System capacity **	65	65	65	65	65
Miles of primary lines	152	150	150	150	
Miles of secondary lines	211	210	213	214	
Natural gas system					
Miles of gas mains	502	506	508	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

Schedule of Prior Year Audit Findings

Schedule of Expenditures of Federal and State Awards



# MARTIN STARNES

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## & 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 (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 12, 2022. 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 non-compliance associated with the City of Shelby ABC Board.

#### **Report on 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 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 or significant deficiencies may exist that were not identified.

### **Report on 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 results 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  
December 12, 2022



# 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**

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

We have audited the City of Shelby, North Carolina’s, compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Shelby and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Shelby’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Shelby's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Shelby's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Shelby's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Shelby's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Shelby's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelby's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
December 12, 2022



# 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**

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

We have audited the City of Shelby, North Carolina’s, compliance with the types of compliance requirements identified as subject to audit 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 state programs for the year ended June 30, 2022. 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.

In our opinion, the City of Shelby complied, in all material respects, with the 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, 2022.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Shelby and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City of Shelby’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Shelby's state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Shelby's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Shelby's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Shelby's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City of Shelby's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City of Shelby's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
December 12, 2022





**CITY OF SHELBY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**1. Summary of Auditor’s Results**

***Financial Statements***

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

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified? None reported

Non-compliance material to financial statements noted? No

***Federal Awards***

Internal control over major federal programs:

- Material weakness identified? No
- Significant deficiency identified? None reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

<u><b>Program Name</b></u>	<u><b>AL#</b></u>
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228
Public and Indian Housing	14.850
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, 2022**

**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**

Powell Bill

**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, 2022**

**Finding 2021-001 Status:** Corrected

CITY OF SHELBY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal AL Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-Through to Subrecipients
<b>Federal Grants:</b>					
<u>U.S. Dept. of Housing and Urban Development</u>					
Direct Program:					
Low Rent Housing Program:					
Public and Indian Housing	14.850	NC034-00000121D	\$ 644,461	\$ -	-
COVID-19 Public and Indian Housing - CARES	14.850	NC03400000120DC	53,453	-	-
Public Housing Capital Fund-2018	14.872	NC19P034501-18	63,270	-	-
Public Housing Capital Fund-2019	14.872	NC19P034501-19	320,638	-	-
Passed Through the NC Department of Commerce:					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	20-V-3507	244,500	-	190,000
Total U.S. Dept. of Housing and Urban Development			1,326,322	-	190,000
<u>U.S. Dept. of Justice</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0052	4,415	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-00278-	24,200	-	-
Passed-through US Department of Defense:					
Bulletproof Vest Partnership Program	16.607	2022	4,722	-	-
Total U.S. Dept. of Justice			33,337	-	-
<u>US Environmental Protection Agency</u>					
Passed Through the NC Department of Environmental Quality:					
Clean Water (Wastewater) State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds - Compost Facility	66.458	E-SRF-T-15-0411	56,779	-	-
Total Clean Water State Revolving Fund Cluster			56,779	-	-
Drinking Water State Revolving Fund Cluster					
Capitalization Grants for Drinking Water State Revolving Funds - Water Plant	66.468	H-LRX-F-18-1925	2,934	-	-
Total Drinking Water State Revolving Fund Cluster			2,934	-	-
Total U.S. Environmental Protection Agency			59,713	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs:					
Airport Improvement Program	20.106	36237.16.17.1	319,051	-	-
Airport Improvement Program	20.106	36237.16.17.2	275,217	-	-
COVID-19 Airport CARES Fund-Federal Aviation Administration	20.106	36237.16.16.1	45,000	-	-
Total U.S. Dept. of Transportation			639,268	-	-
Total assistance - federal programs			2,058,640	-	-
<b>State Grants:</b>					
<u>NC Department of Transportation:</u>					
Powell Bill	N/A	32570	-	641,798	-
State Aid to Airports Program	N/A	36244.23.14.1	-	27,027	-
Total NC Department of Transportation			-	668,825	-
Total assistance - State programs			-	668,825	-
Total assistance			\$ 2,058,640	\$ 668,825	\$ -

**Notes 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, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City of Shelby, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the City of Shelby.

2. **Summary of Significant Accounting Principles**

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

3. **Loans Outstanding**

City of Shelby had the following loan balances outstanding at June 30, 2022 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, 2022 consist of:

Program Title	AL Number	Pass-through Grantor's Number	Amount Outstanding
Capitalization Grants for Drinking Water State Revolving Funds	66.468	H-LRX-F-18-1925	\$ 14,785,065
Capitalization Grants for Clean Water State Revolving Funds	66.458	E-SRF-T-15-0411	18,349,067

4. **Indirect Cost Rate**

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